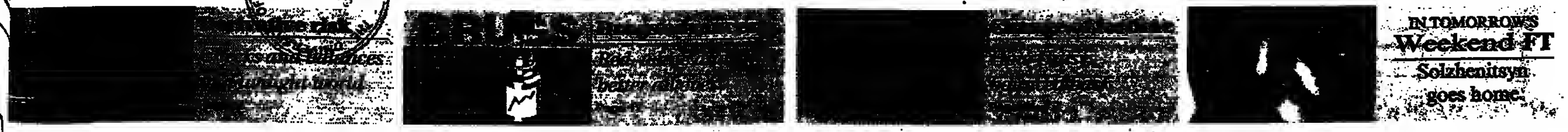


FINANCIAL TIMES

Europe's Business Newspaper | FRIDAY MAY 27 1994 | D8523A

Cable & Wireless on verge of joint venture in China

UK telecommunications group Cable & Wireless claims to be on the verge of a breakthrough in its bid to enter the Chinese market. Chairman Lord Young said the company had been designated by China's ministry of post and telecommunications "preferred partner" for joint ventures, the first of which could be agreed this year. Page 17; Lex, Page 16

Hong Kong developers bid low: Hong Kong property developers acted together to arrange low bids at a public land auction, challenging the colony's government which has pledged to bring down soaring prices. Page 16; Patten sees new Manchester, Page 4; BBC TV returns to Hong Kong. Page 9

Japanese spending drops: Household spending in Japan slipped 4.3 per cent in March, the worst year-on-year decline since 1981. Page 16

UK factory orders hit five-year high: UK companies reported the highest monthly level of factory orders for five years in May, providing fresh evidence that the nation's economic recovery is helping the manufacturing sector. Page 16

Deutsche Bank, Germany's leading bank, is likely to reduce its stake in motor and engineering company Daimler-Benz to 15-20 per cent during the next 10 years. Page 17

Banca Commerciale Italiana shares fell by 4.4 per cent on news thet the recently privatised Italian bank wants to raise up to L2,362bn ($1.4bn) through an issue of shares and warrants. Page 17

Eurotunnel, operator of the Channel tunnel, sealed its long-term future by signing up an £858.3m ($1.29bn) rights issue and completing £693m of bank financing. Page 17; Lex, Page 16

Shares in Trafalgar House fell 10 per cent after the UK diversified group reported lower than expected interim profits and said margins remained under severe pressure. Page 17

UK to lift embargo on Israel: Britain said it would lift its 12-year embargo on arms sales to Israel and would consider similar action on Syria if progress continued towards a Middle East peace settlement. Page 8

South Africa looks to arms sales: South Africa hopes to double arms exports over the next year following the lifting of a United Nations arms embargo which spurred the development of a sophisticated arms industry. Page 4

Germany outlines EU presidency plans: Germany outlined its strategy for its forthcoming EU presidency, saying it would seek to extend its campaign for international competitiveness. Page 2

Russia cool over stability pact: Russia has given a cool response to a French-inspired stability pact designed to defuse ethnic and territorial disputes among aspiring members of the European Union. Page 2

South Yemen launches offensive: South Yemeni forces said they had launched an offensive to reclaim territory lost to northern forces during three weeks of fighting. Page 4

Algeria to meet creditors: Algeria will meet its }chief western creditors in Paris next Tuesday to discuss the terms under which it will reschedule} the $14.5bn }it owes to foreign governments. Page 4

Chile seeks free-trade deal: Chile has put the issue of a free-trade deal with the US – either as part of the North American Free Trade Agreement or a bilateral accord – back on top of its international agenda. Page 7; Gradual freeing of capital, Page 6

Manuscript fetches record price: A volume containing handwritten compositions by 17th-century composer Henry Purcell was sold for £276,500 ($414,750) by Southeby's auctioneers. The price is a world record for a British music manuscript.

MONDAY FT MAY 30

- Bright but sticky ideas: 3M's secret of success.
- Daniel Goldin: the man who is relaunching Nasa.
- A journey on the Italian infobahn.
- Reviews: John Grisham's latest blockbuster The Chamber.
- FT Guide to the Week... and the week ahead in the markets.

STOCK MARKET INDICES

FT-SE 100:	3,019.7	(-1.0)
Yield	4.08	
FT-SE Eurotrack 100	1,411.48	(-1.03)
FT-SE-A All-Share	1,524.54	(-0.1%)
Nikkei	20,495.89	(-167.83)
New York lunchtime:		
Dow Jones Ind Ave	3,753.15	(-2.15)
S&P Composite	456.83	(+0.49)

US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.221%
Long Bond	87⅛
Yield	7.323%

LONDON MONEY

3-mo Interbank	5⅛%	(same)
Life long gilt future:	Jun 103⅞	(Jun 105⅜)

NORTH SEA OIL (Argus)

Brent 15-day (July)	$16.04	(16.22)

GOLD

New York Comex (June)	$383.9	(386.7)
London	$384.7	(387.45)

STERLING

New York lunchtime:		
$	1.5085	
London:		
$	1.51	(1.5109)
DM	2.4821	(2.4848)
FFr	8.4941	(8.4966)
SFr	2.1192	(2.1186)
Y	157.646	(157.816)
£ Index	79.9	(80.0)

DOLLAR

New York lunchtime:		
DM	1.647	
FFr	5.6275	
SFr	1.405	
Y	104.65	
London:		
DM	1.6438	(1.6447)
FFr	5.6188	(5.6237)
SFr	1.4035	(1.4023)
Y	104.465	(104.455)
$ Index	65.3	(65.2)

Tokyo close: Y 104.15

						Qatar	QR13.00
Austria	Sch32	Greece	Dr350	Lux	LFr65	S.Arabia	SR11
Bahrain	Din1.250	Hong Kong	HK$16	Malta	Lm0.60	Singapore	S$4.30
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Slovak Rp	KSL50
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	South Africa	R12.00
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	Spain	Pta225
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Sweden	SKr18
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Switz	SFr3.30
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£50.00
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Tunisia	Din1.500
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Turkey	L30000
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	UAE	Dh12.00

 No 32,377 Week No 21 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Delors urges EU to strive for 'democratic Utopia'

By David Gardner in Brussels

Mr Jacques Delors, president of the European Commission, yesterday called on Europe to lift its sights towards a "democratic Utopia", capable of providing minimum social rights for all.

He warned that attempts to use recession, Europe's competitiveness problems and the jobs crisis as an excuse to dismantle "the European model" of social protection would destroy centuries of striving towards "a balanced society".

However, in an elliptical speech which centred as much on public morality as on policy, Mr Delors was also dismissive of those opposed to any reform of Europe's social and welfare arrangements.

"We have to get away from the battle between those who don't want to change anything simply because of tradition, and those who want to do away with 150 years of social progress," he said.

Mr Delors' unscripted remarks – made to a public seminar before the publication of the Commission's white paper on the future of EU social policy, expected in July – were expressed with a force not used since before the December 1991 summit which agreed the Maastricht treaty.

The Commission president, who ends his turbulent 10-year tenure in Brussels next January, said those who say Europe's welfare system is holding back growth have forgotten that the three recessions of the past 20 years could have degenerated into a 1930s-type depression if such protection had not protected minimum incomes and demand.

"Don't throw the baby out with the bathwater," he said.

Neither was protectionism a feasible or defensible way of preserving European standards from lower-wage competitors in Asia and Latin America.

"How would they buy from us?" Mr Delors asked, arguing that "trade is not a one-way street, it is a two-way motorway".

He revived the idea raised after last year's chaos in European currency markets for a UN-style "security council for the economy", to manage economic and monetary shocks, and even cross-border problems such as sudden surges in emigration.

Mr Delors said Europe was struggling to adapt to technological progress in terms of job creation and organisation of working time. It was failing to get to grips with difficulties ranging from an ageing population and healthcare costs, to youth unemployment, racism, the disintegration of the family and loneliness. All this, Mr Delors said, was "a problem of society's soul".

But "there is a European model of society", he believed, and it had to be developed, more into "a system balancing obligations and rights". He implied that some payment of unemployment benefit could be linked to the provision of services which meet public needs.

"We have to rehabilitate the idea of public service," he argued, and "we have to enrich our social system".

Mr Delors insisted: "It is not by backtracking on social policy that we will resolve our problems. I would call what I am suggesting a democratic Utopia, but it is not unattainable."

Pilkington bows to US pressure on process licensing

By George Graham in Washington and Andrew Taylor in London

Pilkington, the UK glass maker, yesterday agreed to maka far-reaching changes in its technology licensing policy in what is the first application of an aggressive US anti-trust policy beyond US borders.

The company agreed with the US Justice Department to end restrictions on licensees for the use of its float glass technology, which has kept Pilkington at the top of the world plate glass industry for 30 years.

The Justice Department said the agreement, which must still be approved by a US federal judge, would "break a licensing stranglehold on glass manufacturing that kept American companies from designing and building glassmaking plants overseas".

Pilkington said the agreement "would have no material impact", apart from the potential loss of less than £1m ($1.5m) a year in licensing fees. However, the case sets a precedent for the ability of the US government to influence of foreign companies in international markets.

"We are satisfied with this arrangement which protects a large body of technology developed by the group," said Sir Robin Nicholson, the company's technology director.

Pilkington earned pre-tax profits of £40.7m on sales of £2.5bn during the year to March 31 1993. Of this, about £10m is thought to have come from licence fees. Pilkington's shares rose 1½p to 188p in London yesterday.

According to the UK company, the agreement means that US glass makers using pre-1983 technology under licence from Pilkington will now be able to sub-license the technology to any overseas company, subject to certain confidentiality agreements. Pilkington said it retains the rights to later technology not subject to licence agreements with US companies. The deal averts a potentially costly battle in the US courts, although Pilkington still faces several civil suits brought against it by US companies.

Justice Department officials said the settlement could enable US companies to win contracts for as many as half of the estimated 50 new plate glass plants that are expected to be built over the next six years, mostly in eastern Europe and south-east Asia, and increase US exports by up to $1.25bn over the same period.

The case represents not only a new aggressiveness in the Clinton administration's enforcement of anti-trust law but also a new willingness to pursue claims against companies outside the US.

The Justice Department said Pilkington had imposed tough restraints on companies which bought licences for its technology. It allegedly limited them to specific countries, restricted their ability to sub-license the technology and required them to report back to Pilkington all improvements they made in the commercial float glass process.

Pilkington advantages, Page 6

Russian foreign minister Andrei Kozyrev in Paris where he gave a cool response to a French pact aimed at resolving ethnic and territorial disputes among aspiring EU members. Report, Page 2 Picture: AP

PC screen text fails the test of readability

By Alan Cane in London

If you find it hard to read words on a personal computer screen, you are in good company.

A leading US-based computer scientist warned last night that even the best of today's personal computer screens could not display extended text, such as newspaper articles or encyclopaedia entries, so they can be read in comfort. The better a reader you are, he said, the more difficulty you will experience in reading from a screen.

Mr Alan Kay, widely credited as the inspiration behind many of the best known features of PCs including screen "windows" and the "mouse" pointing device, said the discovery called into question the use of computers for teaching reading.

He said: "It is almost a crime to put computers into schools to teach reading because nothing is more antagonistic to the act of reading than a conventional computer screen". It also raises questions about the suitability of PC technology for on-line text retrieval and other information and entertainment services.

Mr Kay, formerly a top scientist for Xerox and now research fellow at Apple Computer, was giving the sixth Charles Read Memorial lecture in London.

Mr Kay's conclusions were based on experiments carried out using equipment built for the US space programme and capable of

Continued on Page 16

Austrian consortium bids for bank stake

By Ian Rodger in Zurich

The struggle to privatise Creditanstalt-Bankverein, Austria's second largest bank, moved into a decisive phase yesterday as a consortium of leading Austrian financial and industrial companies offerad Sch7.2bn ($626m) for just over half the government's 70 per cent voting stake in the bank.

The consortium was assembled quickly in the last few weeks to counter a bid by the Swiss CS Holding financial group that had the apparent support of Mr Ferdinand Lacina, the Socialist finance minister.

Mr Lacina has argued that Creditanstalt needs a strong strategic partner. But politicians and business leaders close to the conservative Austrian People's party have reacted angrily to the prospect that the bank might fall into foreign hands.

Mrs Maria Schaumayer, the widely respected president of the Austrian National Bank, said in an interview last week that Creditanstalt "must sail under the Austrian flag, not the Swiss one."

The consortium is led by EA-Generali, the insurance group, and First Austrian, a large Vienna savings bank. It includes 18 blue-chip industrial companies, such as Brau-Union, Porsche, Radex, Swarovski and Constantia, as well as some unidentified private individuals.

The consortium immediately

Continued on Page 16
BCI capital raising, Page 17

China liberalises in drive to join world trade body

By Tony Walker in Beijing and Louise Lucas in Hong Kong

China launched a determined drive yesterday for admission to the World Trade Organisation, the successor body to the General Agreement on Tariffs and Trade, by removing import licences and quotas on 195 items. It pledged further liberalisation.

The announcement cama before an expected US renewal of China's trading status as a Most Favoured Nation by President Bill Clinton. That imminent decision was welcomed by Mr Peter Sutherland, director-general of Gatt, speaking in Hong Kong yesterday.

China has stated its desire to be a founder member of the WTO, expected to be established on January 1 to replace the Gatt. The country was a Gatt founder member but left the body after the communists came to power in 1949.

In spite of tha liberalisation package yesterday, quotas and licensing restrictions still apply to more than 700 products, but China says it would phase out half of thosa restrictions under an existing accord with the US.

Mr Long Yongtu, China's chief Gatt negotiator, is due to visit Europe and the US for Gatt discussions next week. He will go first to Brussels, then to Washington, where Gatt talks are scheduled on June 3, the deadline for US renewal of China's MFN status.

Mr Sutharland recently returned from Beijing, where he apparently found willingness to meet Gatt'a entry requirements and considerable work remaining to be carried out to meet its requirements.

"Gatt has no responsibility in the area of political issues which underly the issue of MFN status, but the MFN decision has an indirect effect on the negotiations because MFN policy is relevant to Gatt members," Mr Sutherland said.

To secure Gatt membership, he said, China had to improve the transparency of its existing trade regime, demonstrate uniformity in applying those laws, clarify how its trading companies operate, and elucidate tariff and non-tariff barriers.

But Mr Sutherland emphasised that significant steps had already been taken in both trade and foreign exchange regimes. While questioning China's ability to become a member by January 1, he was confident that the WTO itself would be in place on schedule.

"I believe Mr Clinton is absolutely committed to the January 1 date, and I believe it's very important that the US as a leading trading country with an absolute interest in the development of the multilateral system should provide leadership in this area, and it seems it is determined to do so."

He added: "I would consider it inconceivable that the US would retard the progress of something not just desirable for the world as a whole, but for the US itself."

CONTENTS

Kozyrev cool on plan to defuse ethnic disputes in Europe

Russia rejects French initiative

By Anthony Robinson and David Buchan in Paris

Europe's latest exercise in preventative diplomacy, a French-inspired stability pact designed to defuse ethnic and territorial disputes among aspiring members of the European Union, received a cool response from Russia at its conference launch yesterday.

Mr Andrei Kozyrev, the Russian foreign minister, welcomed what he called "yat another attempt" to come to grips with "signs of aggressive nationalism, xenophobia and ethnic and religious intolerance." But he then underlined that "the decisive role" in constructing a new Europe with Russian participation should be played by the 52-Nation Conference on Security and Co-operation in Europe (CSCE) and Nato's "Partnership for Peace (PFP)".

In a speech which reinforced the call for a new European security order by General Pavel Grachev, the Russian defence minister at this week's Nato meeting in Brussels, Mr Kozyrev said: "Enhancing the effectiveness of the CSCE, making it the supreme political organisation on the continent, is the key element in our proposed concept of European partnership."

The three former Soviet Baltic states were looking for a clear Russian commitment to the withdrawal of the remaining Russian troops and equipment from Estonia and Latvia. But Mr Kozyrev merely left open the possibility of Russian participation in the proposed Baltic "round table". This is designed as a forum to facilitate an equitable solution to the protection of the rights of Russian and other minorities in the Baltic states and the total withdrawal of Russian forces.

The Russian minister described the stability conference as a "unique" process but noted that it involved the 12 current and nine aspiring members of the EU but did "not create additional obligations for states which are not directly involved in it." Russia, which this week agreed to join the Partnership for Peace, is not an applicant for EU membership.

For Russia to participate in the round table's work he made clear that it should not dwell on the military aspects but "concentrate on specific steps to improve inter-ethnic relations and to ensure the rights of national minorities... especially in Estonia, Latvia and Lithuania."

The military and political dimensions of Europe's security, he said "should find its place within a framework of broader efforts" than the EU-sponsored security pact conference. "We attach serious significance to the forthcoming Istanbul ministerial meeting of the North Atlantic Co-operation Council (NACC)," he added.

The main focus of the proposed security pact, as outlined by Mr Edouard Balladur, the French prime minister, in his opening statement is to resolve contentious ethnic and border issues and prevent future Yugoslav-style eruptions. But ths foreign ministers of Poland, the Czech republic and other central European and Baltic participants rejected suggestions that eastern European countries thet want to join the EU be subjected to special treatment with regard to minority rights but be subject to what Mr Andrzej Olechowski, Poland's foreign minister, described as "accepted pan-European standards."

Balladur and Kohl call for wider Euro-summits

Prime Minister Edouard Balladur and Chancellor Helmut Kohl yesterday proposed that leaders of east European countries, once they have applied to join the European Union, should hold a joint summit with their EU counterparts once a year, writes David Buchan.

The proposal, contained in a jointly signed article in yesterday's Le Monde newspaper, was timed to coincide with the opening in Paris yesterday of the French-sponsored "conference on stability in Europe" and to identify Germany closely with it. The need for wider annual European summits and the stability conference initiative stem, according to the two men, from "a realisation that political stability is an essential condition for economic and social progress" in eastern Europe. "What would be the value of the free trade and association agreements with central and eastern Europe, even their future membership of the European Union, if serious political crises, notably provoked by frontier and minority problems, were to put this progress in question?" ask the two leaders.

Rexrodt outlines EU presidency plans

By Quentin Peel in Bonn

Germany will seek to extend its own campaign for international competitiveness to the whole of the European Union this year, including promotion of more flexibility in labour markets, and a concerted push for deregulation.

That was the strategy outlined yesterday by Mr Günter Rexrodt, economics minister, for the forthcoming six-month German presidency of the EU.

He set out a five-point economic programme focused primarily on free-market policies to stimulate growth and counter unemployment, including a controversial proposal for an independent team of business experts to test all EU regulations for unnecessary burdens on companies and consumers.

The idea for an independent working group, sharply criticised by Mr Jacques Delors, European commission president, is the main plank of Mr Rexrodt's deregulation initiative intended to slim the Brussels bureaucracy.

At the same time he is proposing a concerted push to implement the EU action plan for job creation and growth, concentrating on promoting more flexibility in labour markets, and improved tax incentives for job creation.

He promised a push to remove national barriers to a single energy market in the 12 member states, both for gas and electricity, intended to give consumers and distributors access to competitive energy sources.

He proposed steps to speed the creation of an integrated information network in the EU, reducing legal barriers to the exchange of data and information, and encouragement for private initiatives to extend information networks on the basis of private financing.

The fifth element in his presidency strategy is to provide greater market opening for the states of central and eastern Europe.

That would include the conclusion of free trade agreements with the Baltic republics during the second half of the year, and a Europe agreement with Slovenia.

Mr Günter Rexrodt: five-point economic programme AP

Mr Rexrodt said that formal EU membership negotiations with Poland and Hungary, the two central European states to submit formal applications, could only begin once the EU itself had agreed on the next round of institutional reforms scheduled for 1996.

In the meantims, further market-opening measures were needed, and restraint on the part of the EU in instituting anti-dumping and other protection measures against the central and east Europeans.

Mr Rexrodt's strategy is one element of a concerted German presidency programme still being finalised by the various German ministries, before Bonn takes over the EU presidency on July 1.

The six-month period will involve the installation of a new European parliament and the approval of a new European Commission, including a redistribution of Commission portfolios – all matters of acute political sensitivity.

Apart from the economic strategy, the presidency will focus on developing common foreign and security policies, and preparing the ground for the 1996 inter-governmental conference on institutional reform.

Renewed drachma pressure expected

By Kerin Hope in Athens

The Greek drachma may come under heavy pressure today as speculation mounts that the government will be forced to trim interest rates next week.

It declined against the D-Mark yesterday, closing at Dr150.1, against Dr147.5 the previous day. It was also down against the US dollar, closing at Dr246.4 (Dr244.4). Dealers said the central bank spent aboot $300m to support the currency yesterday, its first large intervention this week. The bank is estimated to have lost around 15 per cent of its foreign exchange reserves during the two-week battle to defend the drachma.

However, yesterday's decline indicated the government intends to abandon its "hard drachma" policy and allow the currency to depreciate at a faster rate than the 7-8 per cent projected for this year.

This would relieve pressure which has shown no sign of abating since the government lifted capital controls on May 16. At the same time, it would enable the governing Socialists to avoid the heavy political cost of a formal devaluation just before the European parliament elections.

One dealer said: "It's clear that short-term interest rates of over 100 per cent have been asphyxiating the banking system and faster depreciation is one way to bring them down."

Short-term rates have been fluctuating between 70 and 500 per cent. The overnight borrowing rate this week reached 300 per cent, creating serious liquidity problems for smaller banks.

In an effort to inject some liquidity into the system, the central bank is to hold a swap auction today for the first time in more than two years. This will allow banks to borrow drachmas against foreign currency from the central bank at lower rates than those prevailing on the inter-bank market.

The liquidity squeeze, which has forced banks to raise corporate lending rates above 40 per cent, is also threatening government revenues, as companies are preparing to postpone VAT payments due at the end of the month in order to maintain cash-flow.

EUROPEAN NEWS DIGEST

Finns set date for referendum on EU entry

Finland yesterday decided to hold its referendum on European Union membership on October 16, making it the first of the three Nordic applicants to hold a vote on the issue. Sweden holds its referendum on November 13 and Norway on November 28. The east-west voting sequence is seen as the best way of getting all three countries into the EU because support for membership is strongest in Finland and weakest in Norway. Public opinion in both Sweden and Norway remains against membership, although polls show the "yes" vote increasing if neighbours vote in favour. The three Nordic states and Austria are aiming to join the union next January.

The choice of October 16 represents a setback for Mr Esko Aho, Finland's prime minister, who had wanted the referendum to be on the same day as Sweden's. But he was opposed by President Martti Ahtisaari and the Conservative party, the second largest in the coalition government. They both wanted September or early October. Mr Aho's Centre party is split over Europe as much of its support comes from the farming community; agriculture has become the main issue in the debate because farmers face overnight adjustment to EU price levels. The government yesterday tried to soften the blow by announcing a support package for the farming and food processing industries. *Christopher Brown-Humes, Stockholm*

Swedish interest rate switch

Sweden yesterday revised its system for steering short-term interest rates in an effort to achieve greater flexibility in monetary policy. The move, which brings Swedish practice in line with that of other European central banks, coincided with a marginal reduction in the country's main interest rate, which fell from 7 per cent to 6.95 per cent. Under the new system, the Riksbank, the central bank, will replace its key marginal rate with a repurchase (repo) rate as its main interest rate policy instrument. The repo will lie between a lending rate and a deposit rate following the German practice where the discount rate acts as a floor and the Lombard as a ceiling for interest rates. The Riksbank has fixed the lending rate at 7.5 per cent and the discount at 6 per cent, with effect from June 1. The repo rate will be 6.95 per cent. Markets reacted positively to the news, marking bond yields lower and the krona higher. *Christopher Brown-Humes*

Bosnian factions end talks

International mediators yesterday ended two days of talks with Bosnia's warring factions with no apparent agreement on the future division of the former Yugoslav republic. However, sources close to the talks in France said leaders of a new Moslem-Croatian federation and rebel Bosnian Serbs had agreed to meet again with a "contact group" from the US Russia and the European Union in a week to 10 days' time. They said the talks, at which the factions did not meet face-to-face, focused on the carve-up of territory between the federation and the heavily-armed Serbs, who currently control 70 per cent. Earlier the Croatian news agency reported that the Croats and Moslems had "partly accepted" a mediators' proposal giving them 51 per cent. *Reuter, Sarajevo*

Estonia in banking advance

Estonia has become the first of the former Soviet states to introduce electronic banking. Economic reform throughout the region has been hobbled by its antiquated banking system. Transactions can take more than three months, forcing many businesses and individuals to resort to cash and barter deals. Estonia, which in 1991 launched the most radical market reform programme in the region, has now entered the electronic banking era. Four automatic teller machines operating 24 hours a day were opened last week and tens of thousands of citizens have been invited to apply for credit cards which are already accepted by more than 250 Estonian merchants. Credit cards are commonplace among the Soviet Union's lavishly wealthy but tiny elite. However, Estonia is the first former Soviet republic to bring credit cards and cash machines to the masses. *Chrystia Freeland.*

Bank fends off escudo attack

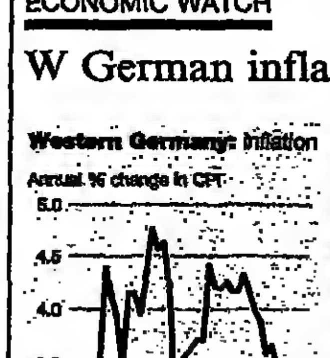
Pressure on the Portuguese escudo eased yesterday after the central bank intervened on the foreign exchange market to protect the currency from a second attack by speculators in less than two months. The currency fell to a low of Es104.5 to the D-Mark on Wednesday from Es103.2 and rallied yesterday to close st Es104.0. Overnight money market rates rose from 11 per cent before the attack to 30 per cent yesterday but fell back to 12 per cent as speculation against the currency subsided. After announcing large purchases of escudos on Wednesday, the central bank changed tactics yesterday by suspending its money market intervention and emergency lending rates. *Peter Wise, Lisbon*

Abortion vote in Germany

The German parliament yesterday narrowly approved a law which proposes prison sentences of up to two years for people who encourage an abortion. The 264-260 vote in the lower house of parliament marks the latest chapter in the bitter feud about how to reconcile differing abortion regimes in east and west Germany. Tha new law, which will be debated in the Bundesrat on July 8, allows abortion up to the 12th week of pregnancy if the mother has been to a series of legal, social and medical consultations laid down by the constitutional court last year. *Michael Lindemann, Bonn*

ECONOMIC WATCH

W German inflation below 3%



The inflation rate in west Germany sank below 3 per cent in May for the first time in more than three years, the federal statistics office reported yesterday. The provisional figure of 2.9 per cent for the annual rate of increase in consumer prices in the west confirms a steady trend which has seen the rate come down from 3.4 per cent in January and February, to 3.2 per cent in March and 3.1 per cent in April. The figure is the lowest since April 1991, when it was 2.8 per cent. Since then it has been fuelled by a series of high wage rises, reaching an average of 4.2 per cent for 1993 as a whole, the highest rate since 1982. Economists now expect a continuing decline during the year, thanks to a series of moderate wage increases in the latest pay round. Mr Hans Tietmeyer, Bundesbank president, has forecast that it will fall below 2 per cent early in 1995. *Quentin Peel, Bonn*

■ Finland's central bank yesterday adjusted its tender rate, the key rate governing commercial banks' borrowing with the central bank, to 5.1 per cent from 4.92 per cent. The rate was last changed on May 9, when it was lowered to from 4.95 per cent.

■ Italian wage inflation stood at an annual 2.5 per cent in April after 2.4 per cent in March, the national statistics office said. The April rise compares with an annual growth of 4.1 per cent in consumer prices the same month.

■ Norway's registered unemployment rate fell to 4.8 per cent in late May from 5.1 per cent at the end of April, the country's labour directorate reported.

Failure in steel crisis undermines Van Miert

By Lionel Barber and Emma Tucker in Brussels

Once he was acclaimed as the rising star of the European Commission. But less than a week after his surprise announcement that the Commission's 18-month-old rescue plan for the steel industry was "dead", questions are mounting about the political judgment of Mr Karel Van Miert, Belgian commissioner responsible for competition policy.

Senior officials and fellow commissioners are confused by Mr Van Miert's decision to wash his hands of the steel crisis, and irritated that he remains unwilling to consider a new compromise.

In Brussels yesterday, Mr Van Miert offered little hint that he is ready to resume his role as co-architect of the steel plan, along with Mr Martin Bangemann, industry commissioner.

Privately, he is said to be still fuming over his defeat at a meeting of the Commission last Wednesday.

Insiders say there were few signs of trouble when Mr Van Miert started with an appeal to allow the Italian government to provide state aid for the restructuring of the privately-owned Bresciani steel mills in northern Italy. In his view, the Italian reductions were the last hope of approaching the rescue plan's target of a 19m tonne cut in capacity.

However, Sir Leon Brittan, the EU's chief trade negotiator and a former competition commissioner, said that the deal would be difficult to reconcile with European law. A second significant intervention came from Mr Peter Schmidhuber, the German budget commissioner.

Mr Schmidhuber, a lawyer who usually votes with Mr Van Miert on competition matters, asked questions over Italian government funding, which Mr Van Miert was unable to answer. The competition commissioner was outvoted 11-4.

What followed was either a tantrum or a tactic aimed at pressuring industry to come up with fresh cuts in capacity. "The plan is dead," Mr Van Miert declared, "it is obvious we are not going to get near the target. But don't blame us. We tried."

In retrospect, officials say Mr Van Miert made several errors. First, he underestimated the legal difficulties of the Italian case, while overestimating how far he could push his (often successful) pragmatic approach to competition policy.

Second, he (and Mr Bangemann) failed to grasp the risks of a high-profile Commission intervention to tackle the steel industry crisis.

Third, Mr Van Miert may have not been flexible enough about the 19m capacity target. Some officials believe that an improving steel market may have rendered the figure obsolete – particularly in the light of the private sector's continued reservations about the rescue plan. On the other hand, any move to abandon the 19m target would call into question the entire plan.

What is to be done? One approach would be to proceed under Article 95 of the European Steel and Coal treaty which would allow state subsidies to be paid to companies. But this would require unanimous support from the Council of Ministers, a long process with a dubious outcome.

Whether Mr Van Miert changes course once again will depend on his own state of mind. Colleagues say they are baffled by his recent outburst, though one explanation is that he fears Mr Jean-Luc Dehaene, Belgian prime minister, will succeed Mr Jacques Delors as president of the next European Commission – an appointment which would cost him his job.

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Sporting a head band which reads "on strike", one of 2,000 nurses who protested in Paris yesterday over a new health law and for better working conditions Reuter

A fox among the Socialist pussycats

Nicholas Denton on Gyula Horn, a one-time hardline communist heading for power in Hungary and espousing orthodox economics

Gyula Horn: skilful operator

So smiling, youthful and unthreatening are Hungary's Socialist party leaders that a liberal weekly catchlined its cover picture of them with the phrase "Pink pussycats".

That was after the former communists took a commanding lead with 33 per cent of the vote in the first round of this month's parliamentary elections. Now the Hungarian Socialist party is poised for a landslide in the run-off vote this Sunday. The Socialists are sure to be the largest party. The only question is whether they will have an absolute majority.

Socialist politicians, although emboldened by their success, are still purring soothingly. They reject a return to the past, revenge against the conservatives who have governed Hungary since 1990, and reversal of conservative policies such as compensation for property expropriated by the former regime.

There is little socialism in the party programme, let alone red-toothed communism. Socialists largely share the broad political consensus favouring membership of the European Union and Nato. A westerner commented to Mr Laszlo Bekesi, the left's economic expert, that the Socialist orthodox economic programme could have been that of a right-wing party in western Europe. "Thank you," Mr Bekesi replied.

The revamp of the Socialist party encompasses more than policy pronouncements. Mr Attila Agh, a political scientist and founder of the party in 1989, says the average age of Socialist party members is 40 and only about half of them were formerly communists. It gives the Socialists some right to be irritated by the label of "former communists" that sticks to them so persistently.

But one, rather distinguished, Socialist cannot escape the description so easily: Mr Gyula Horn, 61-year-old party leader and most likely the next prime minister or at very least the power behind the premiership.

Mr Horn was not in the photo of the "pink pussycats" because he was in bed in hospital at the time, his neck in a brace, recovering from a car accident on the eve of the first round of voting. But the caption does not suit him anyhow.

The chain-smoking Socialist leader's age and demeanour are in sharp contrast not only to those of the younger vice-presidents of the party. His Polish counterpart, Mr Aleksander Kwasnieski, 40-year-old leader of Poland's SLD, wields a mobile phone and is more of a yuppie than a reconstructed communist.

Mr Horn went to college in Rostov in the former Soviet Union and speaks Russian rather than English at international conferences. More embarrassingly, he wore the trademark "padded jacket" of the volunteer militia which helped put down the 1956 uprising against communist rule.

"You've got blood on your padded jacket," charges the graffiti on his election posters and a conservative newspaper editor called Mr Horn a "potential killer". Government-run state television was more specific, accusing the Socialist leader, without firm evidence, of kicking in the teeth of a counter-revolutionary prisoner.

Those who knew Mr Horn later, in the early 1980s, when he was number two at the foreign department of the central committee remember a "typical product of the party system". "I wouldn't say he has changed very much," says one.

Mr Horn certainly still has the toughness of a hardened veteran of Communist party infighting. He is notorious for cutting interviews short if he does not like the line of questioning. He doffs his hat to no one. At a recent speech to foreign investors in Budapest, the Socialist leader seemed close to boredom, looking out of the window as he was speaking.

Socialists prefer to skip quickly over Mr Horn's early career to linger on his achievements as foreign minister in the last communist government in 1989. He was the man who went to the western frontier with Austria and took the wire-cutters to the Iron Curtain; Mr Horn, in biblical fashion, set the east Germans free, allowing them to escape to the west through Hungary; and he began negotiations with Moscow on the withdrawal of Soviet troops.

So which is the real Gyula Horn? He himself offers few clues. The Socialist leader says he has traversed the political spectrum from communist to reform communist to socialist but avoids any more precise expression of his political beliefs. "I view ideology as a private matter for people and it should not play a part in politics," he says. It is statements like these which lead the Socialists' opponents to describe them, not as communists, but as nihilists, believers in nothing.

A western diplomat gives another slant to Mr Horn's pragmatism. "He is not philosophical at all. Obtaining and exercising power is what he likes. He's very bright, he's quick and he sees all the angles on things. The question is whether he loves democracy or not."

It may not be a question of love. Mr Horn adapted successfully to Stalinist oppression, reform communism and the upheavals of 1989 and 1990. He is just as skilful an operator in democracy: opinion polls consistently judge him Hungary's most popular party leader. Mr Laszlo Lengyel, a leading political commentator describes him, not as a pussycat, but as a fox.

Bank threatens to seize Tapie's furniture

By Alice Rawsthorn in Paris

Mr Bernard Tapie, the French politician and entrepreneur, yesterday came under mounting financial pressure when Crédit Lyonnais, his bank, threatened to seize his furniture and Paris townhouse unless he repays FFr450m (£52.4m) of his FFr1.22bn debts.

The threat follows a farcical sequence of events last week after the bank announced it was terminating its five-year debt repayment agreement with Mr Tapie, a member of parliament whose political star has risen with the success of Energie Radicale, his populist left-wing movement, in the European election campaign.

Crédit Lyonnais last Friday sent a bailiff to make an inventory of the contents of Mr Tapie's townhouse, only to be informed by its own private detectives that some of the most valuable objects had been removed the previous day. Mr Tapie claimed that he had lent his mother-in-law a few favourite pieces of furniture.

However Mr Tapie's problems mounted this week when a Paris court asked for his parliamentary immunity to be lifted so he can be investigated for tax fraud concerning the purchase of his luxury yacht, the Phocéa. The tax investigation was the final straw for Crédit Lyonnais, which said it feared that its claim on Mr Tapie's assets could be weakened by calls from other creditors, notably the tax authorities.

The bank demanded thet Mr Tapie by next Thursday repay FFr450m of his debts, FFr100m of which was lent to him to buy the Phocéa.

If he fails to pay, Crédit Lyonnais will on the following day start legal proceedings to seize his furniture and to order the sale of his opulent townhouse off Boulevard Saint-Germain.

Mr Tapie has described Crédit Lyonnais's threats as part of an establishment plot against him. He said yesterday he had instructed his lawyers to "do everything possible to protect my legal rights".

So far Mr Tapie's financial and legal problems have helped, rather than hindered, his progress in the opinion polls. Energie Radicale has continued to gain ground from the established left-wing parties and now commands 10 per cent support.

South Africa aims to double arms exports

By Patti Waldmeir and Mark Suzman in Johannesburg

South Africa hopes to double arms exports over the next year following the lifting of the United Nations arms embargo, which spurred previous governments to develop a sophisticated arms manufacturing industry.

Mr Tielman de Waal, chief executive of Armscor, South Africa's arms procurement agency, said yesterday the company could boost defence exports by more than R1bn ($270m) in the current fiscal year.

His statement comes against a background of calls for sharp cuts in the defence budget to fund new spending on social services under President Nelson Mandela's reconstruction and development programme. Armscor is keen to demonstrate the defence industry can generate as well as consume South Africa's scarce resources, and can earn foreign exchange from goods which are globally competitive.

Armscor has come under increasing criticism since the new multi-racial government took over a fortnight ago, reflecting a new public awareness of moral arguments against arms exports.

Mr de Waal noted, for example that South Africa sold a variety of weapons – rifles, grenades, mortars – worth R100m to Rwanda over a five-year period.

He said the deal was terminated late last year because of evidence the weapons were used against the Rwandan people. In recent weeks, Rwandan Hutus loyal to the government have been blamed for horrific slaughters of minority Tutsis and other Hutus that killed tens of thousands of people.

Mr Peet Smith, Armscor general manager for imports and exports, said the new government's policy permitted arms exports to countries only to defend their sovereignty and not where the weapons might be used to violate human rights.

Despite anxieties about exports to the rest of Africa, South Africa's urgent need for foreign exchange earnings, coupled with a desire to capitalise on heavy spending on research and development during the apartheid era, will probably combine to protect Armscor's activities in future.

Selling more of its respected military hardware is the key to Armscor's survival, Mr de Waal said. The company currently more than R800m of arms per year, which he said represented less than 0.5 per cent of the international arms market.

Products that could sell well abroad include sophisticated Rooivalk helicopters, frequency-hopping radio transmitters and receivers that avoid interception, landmine-proof armoured vehicles, advanced mine detection equipment, and G-5 and G-6 long-range artillery.

Mr de Waal identified Asia, the Middle East, Africa and Europe as potential markets. This will be eased by Tuesday's UN Security Council decision to lift a mandatory ban on the sale of arms to South Africa.

President Mandela said this week Pretoria should be allowed to sell weapons if it wanted to and Defence Minister Joe Modise, a former guerrilla fighter, said expanding weapons exports could create 20,000 jobs.

Algeria to hear price of debt rescheduling

Francis Ghilès previews talks next week with the Paris Club of official creditors

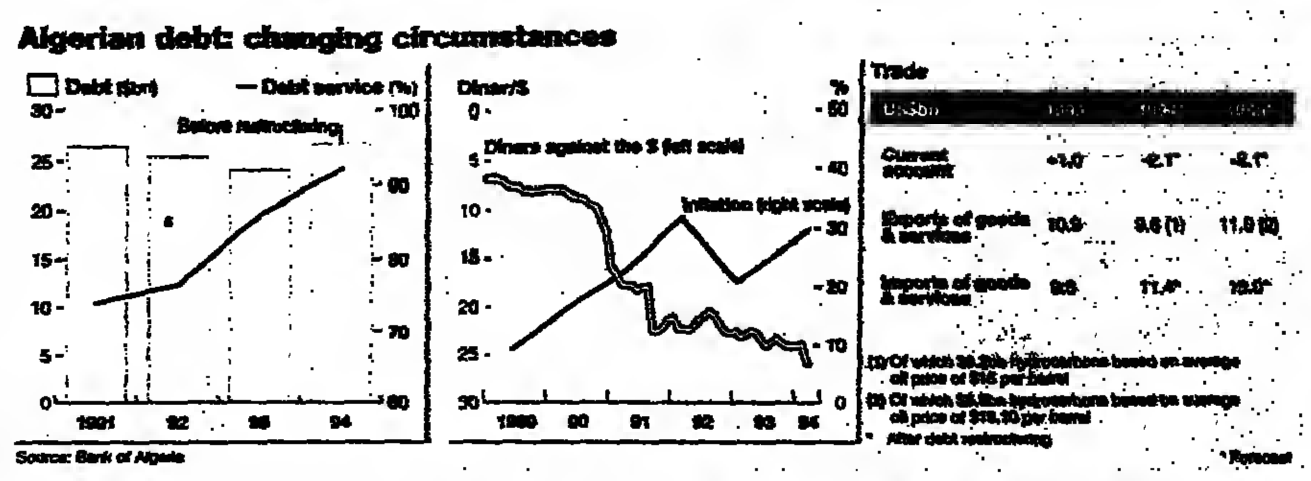
Algeria will meet its chief western creditors in Paris next Tuesday to discuss the terms under which it will reschedule the $14.5bn of its foreign debt that it owes to foreign governments.

The principal debt repayments to be covered fall due between April 1 this year and March 31 next, the period covered by the standby agreement Algeria reached with the International Monetary Fund last month, due to be approved by its board today.

The repayments amount to an estimated $3.4bn, to which the Algerians might wish to add $800m in interest payments due over the next year. Repayments would be spread over 15 years with eight years' grace.

Algeria last reached agreement with the IMF three years ago. But circumstances have changed. The country's economy has deteriorated sharply as a result of the bloody civil strife which followed the suspension of elections the Islamic Salvation Front was poised to win in January 1992, the decline in the price of oil and the government's decision to reverse gear on reforms aimed at liberalising the economy launched in 1989 and suspended late in 1991.

The new IMF agreement envisages a standby loan of $625m and contingency financing of $375m, extended because of the decline in the price of oil. Hydrocarbon exports account for more than 95 per cent of Algeria's foreign income.



Among the measures included in the agreement and already implemented are:

- A devaluation of the dinar. It is not clear whether further devaluations are required beyond the 40 per cent devaluation against the US dollar on April 10, the date the IMF received Algeria's letter of intent.
- Dismantling the state monopoly on foreign trade. This has already led to the abolition of the ad hoc ministerial committee which, since July 1992, has alone been entitled to decide on all requests for imports. Discrimination against imports by the private sector, which have been such a feature of the past two years, have been abolished. Exporters will be allowed to retain 50 per cent of earnings, in foreign currency accounts in Algeria.
- Adjustments in the price of food and energy prices which were raised by 40 per cent before the dinar was devalued. Three key foodstuffs, semolina, flour and milk, have been exempted.
- Liberalisation of prices of farm inputs and fertilisers. Foodstuffs imports accounted for 25 per cent of last year's total import bill of $9.5bn.

The stabilisation programme aims to reduce the budget deficit as a percentage of gross domestic product from last year's figure of 9.2 per cent to 3.3 per cent. One third of last year's budget deficit was accounted for by funds aimed at recapitalising loss-making state enterprises which were not restructured.

The agreement also includes measures aimed at reducing monetary growth from 21.2 per cent last year to 14 per cent, and at containing salary increases, a sensitive issue because the support of the trades union movement is seen as crucial in the battle against radical Moslem groups.

Overall, the aim is to contain inflation to 30 per cent. Last year, inflation was officially measured at 20.8 per cent, a figure widely considered an underestimate, and was worsened by constant shortages and siphoning off into the black market of basic products.

In a broader sense, the agreement with the IMF aims to turn a real decline in gross domestic product of 2 per cent last year into a rise of 3 per cent in 1994 and 6 per cent in 1995, thus increasing capacity utilisation in industry which was 50 per cent since 1990.

Servicing its $24.7bn foreign debt, virtually all of which is medium- and long-term, last year represented 86 per cent of Algeria's export earnings, a figure it hopes to bring down to less than 30 per cent.

After the talks with its Paris Club creditors, the Algerians will ask to meet their commercial bank creditors. Japanese banks, which hold more than half Algeria's commercial bank paper, are known to be unhappy about the prospect of a rescheduling but are playing their cards close to the chest.

Overall, the restructuring should bring in $3.7bn from official creditors and $600m from the commercial banks. The Algerians hope that the level of export credits does not fall far short of $3bn. The European Union will commit Ecu350m (£270m), Ecu150m of which is accounted for by the second tranche of a loan extended in September 1991.

The balance should be made up of World Bank and other multilateral agency lending. The second tranche, worth $325m of a joint World Bank-Jexim co-financing earmarked to reform the banking sector could be drawn down quickly. Mr Ahmed Benbitour, the Algerian minister of finance, insisted, in an interview, that "quick disbursement was vital to ensure that the liberalisation of foreign trade proceeds smoothly and that the exchange rate is kept steady." He expressed confidence that $1bn would be disbursed by the IMF, the World Bank and the EU before the end of June.

The attitude of the French government to Algeria's debt problems has, over the past three years undergone a remarkable transformation. In 1991, Paris showed little enthusiasm, let alone consistent support, for the government of Mr Mouloud Hamrouche, which brokered the boldest economic and political reforms ever witnessed in Algeria. Today, leading French ministers spare no effort in their support for the Algerian regime. The French foreign minister, Mr Alain Juppé, brought up the issue when he met US President Bill Clinton recently.

French policy however is driven as much by fear as by any hope that the IMF package can be implemented.

Patten sees a new Manchester in the east

By Alexander Nicoll, Asia Editor

Mr Chris Patten last night forecast a "spectacular future" for Hong Kong provided that the 1984 Sino-British Joint Declaration, under which the territory will return to Chinese sovereignty in 1997, is fully implemented.

Speaking in Manchester's Great Hall, he said: "It will play the role in relation to the Chinese economy which Manchester played in the British industrial revolution and which New York played in the opening up of the American continent."

But if the 1984 accord was not fully implemented, he said, the characteristics which made Hong Kong special would be in jeopardy. These, he said, were "the rule of law, a free press, a high level of resistance to corruption".

"Hong Kong will no longer be special and the potential offered by the historic 'one country, two systems' concept will have been squandered."

Mounting a spirited defence of his proposals for electoral reform, he poured scorn on suggestions – made by British businessmen and former diplomats – that Britain should opt for a "quiet life" since its longer-term interest was in having good relations with China.

Britain, he said, had huge investments in Hong Kong and large exports. "Securing Hong Kong's future, which is dependent on its special nature enduring indefinitely, is a clear national interest." Moreover, he said, there was "a place for integrity as well as interests in foreign policy".

Chris Patten: spirited defence of electoral reform proposals

Hong Kong – like Manchester, the governor said – had grown on the basis of free trade and open markets. But he detected growing protectionism in Europe and the US. Some in Europe sought to justify protectionism on the grounds that poorer countries did not have the same social infrastructure as Europe. "This amounts to the absurd and callous proposition that to be poor is somehow to have an unfair trade advantage."

US sends famine mission to E Africa

President Bill Clinton said yesterday he was sending a special delegation to examine conditions in East Africa, where a possible famine could threaten the lives of nearly 20m people, Reuter reports from Washington.

A White House statement said Mr Clinton had asked Mr Brian Atwood, administrator of the US Agency for International Development, to head the bipartisan delegation including members of Congress and private organisations.

The group would try to prevent mass starvation in Ethiopia, Eritrea and Kenya by investigating and then raising and co-ordinating more help from global organisations.

"The crisis in the east Africa region threatens every nation in the region and is caused by drought conditions and civil conflicts," the White House statement said. "At this early stage, it is still possible to avoid widespread famine, but an estimated 20m people are currently at risk and may have to leave their homes to search for food."

It said concerted regional and international action two years ago prevented a similar drought in southern Africa from becoming a severe famine.

"Our effort to head off the incipient famine will be both short- and long-term and will help the nations of the region address what have become chronic food shortages."

The delegation is to examine programmes sponsored by the US government and other donors in Ethiopia, Eritrea, and Kenya, and meet heads of state and government representatives.

The current delegation will travel to Rome, Geneva, and Brussels to seek increased aid for east Africa. The White House said it would meet officials of the World Food programme, the Food for Agriculture Organisation, the UN High Commissioner for Refugees and leaders of the European Union.

Rwanda militia pose for a picture at a check-point in Kigali yesterday. An estimated half million people, mainly of the Tutsi tribe and opponents of the government, have been slaughtered in massacres blamed on such Hutu militia and government troops Reuter

S Yemen in push to reclaim territory

By Eric Watkins in Aden and Robin Allen in Dubai

South Yemeni military officers have launched a counter-offensive to reclaim territory lost to northern forces during the past three weeks' fighting, they said yesterday. Caught unprepared for war, they claimed the south was now ready to break out of its defensive posture.

The southerners were yesterday clearly in control of the region surrounding the key airbase of al-Anad, some 45 miles north of Aden, as they continued to pound the base. Southern officers said there was no return artillery fire and claimed the northerners were in retreat.

Apparently frustrated by the failed advance on Aden, northern leader Gen Ali Abdullah Saleh has opened up a new front in Shabwa Province, 240 miles north-east of Aden.

His aim, southern leaders say, is to capture their oil fields at Wadi Masila, about 280 miles to the east.

Run by Canadian Occidental Petroleum, the Masila Fields produce 150,000 barrels a day, the south's economic mainstay.

Southern leaders were apparently unruffled by the new challenge, saying northern forces are over-extended and vulnerable to a counter-thrust.

Mr Ali Salem al-Beidh's southern leadership is starting to fill positions for the new cabinet. Prime minister-designate is Mr Haider Abu-Bakr al-Attas, prime minister of the former united Yemen before the south declared secession at the end of last week. The defence minister is expected to be Gen Haithem Qassem Taha, chief of staff of the southern army.

New or confirmed appointments for provincial governors include Mr Ahmed Farid, owner of a Muscat-based contracting company, Desert Line Projects. Mr Farid's family comes from Shabwa, where last February he led a well-publicised movement to oust northern units from the governor's office.

Members of the presidential council, apart from Mr al-Beidh, include Mr Salem Saleh Mohammed; the head of the Sons of Yemen League, Mr Abdul Rahman Ali al-Jifri; the former head of the Front for the Liberation of Occupied South Yemen (Flosy), Mr Abdul Kawi Makawi; and Mr Suleiman Nasser Masoud.

Mr al-Jifri was an adviser to the former Sultan of Lahej before the British withdrew in 1967. Mr al-Jifri has spent the past 24 years managing a construction company in Saudi Arabia. Mr Makawi is an Adeni and a former trade union leader who has lived in Cairo for the past 20 years. He was prime minister for a time under the British-inspired South Arabian Federation before leading the militant anti-British Flosy.

Gabon is first to reschedule its debts

Gabon has become the first member of the African "franc zone" to reschedule its commercial debt with all its external creditors, Peter John reports. The final piece of the country's FFr17bn ($3bn) restructuring programme was put in place yesterday when Finance Minister Marcel Doupamby Matoka signed an agreement in Paris with the London "club" of commercial bank creditors.

The deal, repayable over 10 years, represents some $170m of debt. Gabon has already signed agreements with the Paris Club of sovereign creditors and the International Monetary Fund. Mr Thierry Desjardins of BNP, the French bank which officiated at the signing, said the move would boost the country's credit rating.

It is expected to ease Gabon's ability to borrow when it is adjusting to the 50 per cent devaluation against the French franc by the zone's 14 member countries in January. The devaluation was one of the IMF's principal conditions of the debt rescheduling deal.

BNP is starting talks with Ivory Coast, Congo and Cameroon over their final restructuring. The talks are likely to be more protracted as these countries have a far lower GDP per head than Gabon, one of Africa's oil-producing countries and a big dollar-earner.

Bond is back in hospital

Mr Alan Bond, the Australian businessman, was back in hospital yesterday after a near-collapse during a brief appearance in Perth Magistrates Court, Nikki Tait reports from Sydney.

According to Mr Andrew Fraser, Mr Bond's solicitor, doctors suggested that the former tycoon, whose empire started to collapse under a pile of debts in the late 1980s and who filed for personal bankruptcy in 1992, was showing signs of the beginning of a stroke. His lawyers had applied to suspend a preliminary hearing over four art fraud charges.

Ousted Hewson takes shadow post

Mr John Hewson, ousted as leader of the Australian opposition Liberal party this week, stays on as industry spokesman in a 32-member shadow cabinet, Nikki Tait reports.

Mr Alexander Downer, who took over from Mr Hewson as opposition leader on Monday, announced the new slimmed-down line-up yesterday. His deputy, Mr Peter Costello, becomes shadow treasurer. Mr Andrew Peacock and Mr John Howard will shadow foreign affairs and industrial relations respectively.

Mrs Bronwyn Bishop takes the shadow health portfolio. The former senator was tipped as a potential leadership contender until her showing in a by-election earlier this year.

Peace talks unlikely to heal Cambodia's wounds

Many think neither Phnom Penh nor Khmer Rouge wants a solution, Iain Simpson writes

One year ago this week, the UN effort to bring peace to Cambodia reached its climax as more than 4m Cambodians braved monsoon rains and the threat of Khmer Rouge violence to vote in the country's first free election.

Today, despite widespread optimism among voters that they were casting their ballots for peace, the government is still fighting a low-intensity war against Khmer Rouge guerrillas who show no sign of giving up their struggle to retake power.

The three top government leaders are due to arrive in Pyongyang, the North Korean capital, today for peace talks with the Khmer Rouge. It is the first time the two sides have met for almost six months. But few in Phnom Penh expect the talks will bring much change.

As preparations for the talks go on, sporadic fighting continues in western Cambodia, where 50,000 people have been forced out of their homes by artillery barrages from both the Khmer Rouge and the government.

Aid workers say the future now looks bleak for many whose homes are in what is now a combat zone, whose prospects of returning to their villages in time to plough their fields for this year's rice crop are slim.

Many Cambodians believe neither the government nor the Khmer Rouge is seriously interested in the search for peace. For the government, an end to war would bring new problems if it finally faced up to the need to demobilise almost half its armed forces.

While they are fighting, the government can justify spending more than 35 per cent of its budget on defence. Once the fighting stops, the figures are likely to be scrutinised more carefully by multilateral donors such as the IMF, which has just approved a new $120m (£79.4m) soft loan.

For the Khmer Rouge, any peace settlement would have to include giving up their guerrilla army and the territory they control, tantamount to giving up their struggle. Some analysts believe the guerrillas are fighting only to improve their bargaining position ahead of talks; others say they aim to take complete control of Cambodia again.

In recent fighting, the Khmer Rouge have shown they can defeat government forces with apparent ease. Military officials say the reason for the guerrillas' successes was the national army's incompetence, rather than the strength of the Khmer Rouge.

Even during that recent run of victories, the Khmer Rouge did not manage to capture the town of Battambang. With a strength of 10,000-12,000, the faction is unlikely to be able to capture, far less hold, any significant towns.

Ministers are still trying to persuade their allies in the west and South-East Asian countries to provide them with lethal military aid, fuelling the suspicion they have no interest in reaching a peace settlement with the Khmer Rouge.

Some diplomats believe King Norodom Sihanouk, head of state, is alone in pushing for talks and a deal to bring the Khmer Rouge into the government in exchange for a ceasefire and relinquishing the 10-15 per cent of the country the guerrillas control.

Mr Hun Sen, junior prime minister, said he was "less than 0.1 per cent optimistic" about any progress during the five days of talks. On the government side, Mr Hun Sen is the main stumbling block to a deal with the Khmer Rouge. Senior prime minister Prince Ranariddh, also the son of King Sihanouk, has shown he is willing to make peace with the Maoist guerrillas.

Late last year, Prince Ranariddh twice flew to Bangkok for talks with the nominal leader of the Khmer Rouge, Khieu Samphan. During these meetings, the two men discussed terms for a ceasefire. But each time Prince Ranariddh returned empty-handed. Few in Cambodia believe he will be any more successful this time.

ECGD restores cover for Brazil

The British Export Credits Guarantee Department said yesterday it had resumed export credit insurance cover for Brazil, after a gap of 11 years, Reuter reports.

The decision followed a successful restructuring of Brazil's commercial bank debt and "encouraging progress with its economic stabilisation programme", an ECGD statement said.

"ECGD's restoration of cover for Brazil will represent a whole new area of opportunity for British business," said Mr Michael Heseltine, UK Trade and Industry Secretary. "Brazil is the ninth largest economy in the world and will be opening up even more now that the effects of the debt crisis are receding," he said.

Cover was withdrawn in 1983 after substantial payment delays. Limited cover was resumed in 1989 but was suspended almost immediately when Brazil again stopped honouring its debts.

ECGD said cover would concentrate on business with the Brazilian private sector. Some public sector organisations will be eligible if they can show their receipts of foreign exchange will cover payments.

The ECGD activities will be concentrated on business which promotes Brazil's economic rehabilitation.

"Brazil is the 14th country for which ECGD has resumed cover over the last two years. The significant increase in the number of markets on cover, together with increased availability of cover for major markets and reductions in premium, is giving British exporters greater opportunities to compete for business overseas, and demonstrates this government's commitment to support UK companies in their export efforts", the UK minister said.

In São Paulo: Brazil's inflation fell to 44.66 per cent in May, compared to last month, an official at the Economic Research Institute said. The index, calculated by the University of São Paulo, measures inflation at weekly intervals.

George Graham reflects on the American initiative against a British glassmaker

Washington's new anti-trust vigour

The US justice department's anti-trust order yesterday against Pilkington, the British glassmaker, marks one of the first concrete results of the new vigour in anti-trust enforcement promised by the Clinton administration.

The Pilkington suit – as a result of which the British company has agreed to end the restrictions it has imposed on licensees for its float glass technology – is the first big anti-trust suit brought in the US against a foreign company since 1992, when the department reinstated an old policy which had allowed it to undertake broad actions against overseas companies.

In 1988, the Reagan administration's justice department had announced that it would pursue anti-competitive conduct in foreign markets only when there was seen to be direct harm to US consumers. The 1992 reversal allowed the US also to pursue conduct that had harmed US exports.

Besides marking a new aggressiveness – which has otherwise been symbolised mostly by the present justice department's determination to tackle the domination of the computer software industry by Microsoft – the Pilkington suit also carries echoes of the Clinton administration's broader goals on industrial and competitiveness policy.

The principal goal of the suit, the department said, was to allow US companies to compete freely in overseas markets, not so much for sales of plate glass itself but rather for the construction of an estimated 50 float glass plants which are expected to be built in regions such as eastern Europe and south-east Asia over the next decade.

"Before this case was filed, US firms basically would have been locked out of this market entirely. Now that this consent decree has been filed, and hopefully after it is approved, we think that as many as half of these plants could be built by US firms," said Mr Robert Litan, deputy assistant attorney-general in the department's anti-trust division.

Mr Litan said that the department had also challenged Pilkington's licensing agreements because they were impeding innovation by US companies, since they restricted the benefits a licensee could reap from any improvements to the technology it had developed itself.

As a sign that the Clinton administration sees anti-trust enforcement as a legitimate policy tool for improving the efficiency of the US economy, rather than just a last resort against truly egregious examples of business collusion, the Pilkington suit could herald a number of new cases against both foreign and US companies.

Ms Diane Wood, who heads the international anti-trust division at the justice department, said yesterday that the case would be regarded abroad as "a broad assertion of jurisdiction" by the US.

"We won't bring these cases unless there is a big impact in the US market and the company is present here in the US," she said.

Anti-trust enforcement in general, under the Reagan administration of 1981-89, was reduced to a bare minimum, with the number of justice department investigations initiated under the major US monopoly, merger and restraint of trade acts dropping by half to two thirds of the rate during the Carter administration of 1977-81.

Under the Bush administration, which ended early last year, the number of enforcement actions dropped even further, although Mr William Barr, then the attorney-general, took some steps to swing anti-trust policy back to earlier principles.

Those steps included the 1992 reversal of the policy on the overseas reach of US action, a measure seen at the time mostly as a vehicle for attacking the cartel-like practices of Japan's *keiretsu* groupings, but now implemented for the first time against a UK company.

Pilkington emerges with advantages

By Andrew Taylor, Construction Correspondent

Floating to success: a ribbon of glass passes under water sprays in a Pilkington plant at St Helen's on Merseyside

Pilkington estimated yesterday that the agreement reached with the US Justice Department may cost it just under £1m ($1.5m) a year in lost licensing fees.

However, the UK glassmaker said that it might save considerably more in legal fees. A recent legal action in the UK, brought by Pilkington against PPG Industries, the large US glass group, resulted in the British company receiving £16m, representing 80 per cent of its legal costs, plus £5m damages.

At issue, according to Pilkington, was whether PPG had the right to pass on to a Chinese plant technology developed by the British company which PPG was using under licence in the US.

However, the British glassmaker still faces two US civil suits which could end in financial penalties as well as costs, if Pilkington were to lose. A separate anti-trust action is being brought by PPG, and there is an action by ITC, a smaller US glass company with which Pilkington has no licensing agreement.

The consent decree announced yesterday is not expected to affect these actions.

Sir Robin Nicholson, Pilkington's technology director, said that the accord reached with the Justice Department had the advantage of setting out Pilkington's legal rights to the float glass technology originally developed by the company's president, Sir Alastair Pilkington.

It meant that US companies licensed to use pre-1983 technology developed by Pilkington would now be able to sub-license that technology to companies in foreign countries, subject to certain confidentiality agreements, said Sir Robin.

Pilkington would retain the rights to later technology which was not subject to licence agreements with US companies.

"The decision has been reached after a two-year investigation by the Justice Department," Sir Robin said.

"We have got what we wanted, in that we retain a substantial amount of proprietorial knowledge which we can license in the normal way."

Pilkington was only a British glass company of modest size when, in 1959, Sir Alastair invented float glass – reported to be an idea which came to him while he was in the bath. Instead of rolling or drawing glass, he devised a system of floating it on molten tin to produce a product of consistently high quality and thickness, with minimal wastage.

Plate glass, which was rolled, by comparison required extensive finishing and polishing, involving waste of up to 20 per cent.

Pilkington quickly realised that, in spite of its technological lead, it was not rich enough to build plants or mount legal actions to prevent companies from abusing patents in all the countries which wanted to take advantage of the new process.

Instead, it decided to license the technique in agreements running for up to 30 years, from which Pilkington was able to earn substantial fees.

At its peak, fee income was running at £35m-£45m a year. This has been reduced to about £10m now.

The process developed by Sir Alastair is now used in 30 countries at 174 plants.

Gradual freeing of capital by Chile

By David Pilling in Santiago

Chile will liberalise capital movements by the end of the decade, allowing much greater flows in and out of the country, according to Mr Eduardo Aninat, the new finance minister.

Mr Aninat said in an interview that Chile was not looking for "hot money" – or short-term money looking for the highest return – to enter the stock exchange. At present, funds coming into Chile cannot be repatriated for a year.

"If you want to see why we don't move more rapidly, look at the Merval [share] index in Argentina. It is incredible – up, down, up, down – triples its value, halves its value. I think that is horrible for domestic personal savings."

The one-year repatriation period has not put off long-term direct investors, inflows from whom last year accounted for 4.5 per cent of Chile's gross domestic product. Many had not repatriated profits after a year but put them back into new investments locally, he said.

Mr Aninat was also wary of allowing too many outflows. Private pension funds, which command the equivalent of $17bn (£11.3bn) in savings, would only be allowed very gradually to expand their foreign portfolios, he said.

But in the long run, Mr Aninat said, "the only direction is towards liberalisation" because Chile had to continue to integrate with the world economy. The next step would be to reduce distinctions between the formal and informal exchange markets – a process begun tentatively last month – allowing Chilean exporters greater scope to leave earnings abroad.

On inflation, which some fear has become stuck at about 12 per cent a year, Mr Aninat said "harsh medicine", in the form of tight fiscal policy, might be needed. Bringing inflation down to single digits was more important than sustaining the 6 per cent growth rate of last year, he said.

Nafta accord back on Chile's agenda

Environment and labour issues are expected to dominate talks with the US, writes David Pilling

It was with more than a touch of bravado that Mr Eduardo Aninat, Chile's finance minister, announced earlier this month that a deal to join the North American Free Trade Agreement could be wrapped up by next March.

"What I did, on purpose, was to put Nafta on the front page again...to start the discussion," he says.

It worked: a Nafta deal, or at least a bilateral accord with the US – an issue largely dormant during the final period of the administration of President Patricio Aylwin – has reappeared at the top of Chile's international agenda.

Mr Aninat's crusade has been much helped by the publication in the US of a draft bill – sponsored by Mr Richard Gephardt, the Democratic House leader – seeking to initiate free-trade talks with Chile under "fast-track" procedures.

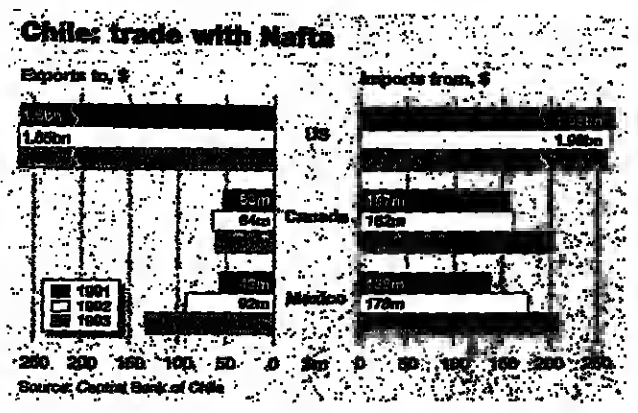
The bill seeks to bind provisions on workers' rights and environmental protection into the accord, rather than negotiating side agreements, as was done with Mexico.

Although this could imply tougher criteria for Chile, the initiative from Mr Gephardt, who opposed Nafta, is seen as a sign of potential cross-party support. No one doubts the oft-repeated promise that Chile will be next.

None of this means, however, that informal talks, due to begin in Washington next month will be straightforward. "Negotiations will be much more difficult than people think," says a US official.

The environment is likely to prove the biggest sticking point. Chile's mining, fishing, forestry and fruit industries – backbone of the export sector – have been criticised on environmental grounds. Many older mines fall far short of international standards on disposal of hazardous by-products, while Chile still exports 100-year-old trees in the form of woodchips.

Mr Aninat recognises that the environment is an issue on which "frankly speaking, we do have some problems".



On labour, he is more sanguine. Workers' rights were greatly strengthened under President Aylwin, after years of repression under military rule, and are now more protected than anywhere on the continent, he says. But other difficulties are likely to emerge as talks proceed, such as Chile's price-band system of surcharges on agricultural imports. Washington will also push for stringent measures to protect investments.

More tricky still may be the issue of intellectual property rights, particularly on pharmaceuticals. Although Chile has recently tightened up its patent laws, it has not introduced protection for pharmaceuticals being developed.

"There are quite significant differences (over patents) which it will be very difficult for Chile to address in the short-to-medium term," says the US official. Mr Aninat is aware that negotiations on this topic will be "hard".

Mr José Antonio Guzmán, president of the CPC, Chile's main business organisation, said recently: "We are only prepared to make an agreement with the US if it is beneficial for the country and if it doesn't impose environmental and labour clauses beyond our capacity." The CPC would oppose any deal damaging Chile's ability to compete, he said.

Farmers insist protective barriers cannot be dismantled until the US government stops subsidising its own farmers.

For Mr Aninat, locking into the world's biggest economy has strategic implications. "We feel that Chile, because of its size and dependence on foreign trade and investment, cannot remain isolated.... The world is walking away from multilateral Gatt rules, unfortunately, and more into regional trading blocs. We need to get hooked into intelligent alliances."

The US has wider objectives than the purely commercial. It is keen that Chile, which it regards as one of Latin America's most open and modern economies, should be rewarded for its progress.

But it has yet to decide whether it favours a bilateral accord or Chile's joining Nafta. Until that issue is resolved and fast-track authorised, all talk of timetables is premature.

Indeed, Mr Aninat confides that his March 1995 target is "very optimistic" and "more a signalling device than a real bet". However, he believes that, once formal talks start, negotiations should be much quicker than those with Mexico, which took two years.

Before this can happen, Washington must turn fine words into action. "This process is like a tango, and you need both parties to dance," says Mr Aninat. "We cannot start dancing on our own."

Boycott ruling irks US Greens

By Frances Williams in Geneva

"It's a dialogue of the deaf," sighed one European trade official yesterday, referring to the outraged reaction of US environmental groups to the news that a Gatt panel has once again ruled against US trade measures intended to protect dolphins.

The panel report, circulated to the parties involved last Friday, says the US is not entitled under Gatt to use trade measures to force other countries to adopt its own domestic policies, environmental or otherwise. This, the report argues, would undermine the whole basis of the multilateral trading system.

The US operates an embargo on tuna imported from countries which catch too many dolphins in tuna fishing nets. A secondary embargo applies to countries which import and process tuna from the offending countries. But to satisfy the terms of the US law, it is not enough to kill fewer dolphins; a country also has to adopt fishing methods which conform to those used by US fishing fleets.

The latest panel report, which relates to the secondary tuna embargo, adopts somewhat different reasoning from its predecessor. The three-man panel says Gatt rules do not in principle disbar countries from using trade measures to protect "the global commons" or environmental resources outside their own jurisdictions. However, the panel argues, these measures have to be designed directly to protect the resource in question and need to satisfy the criterion that no other more Gatt-consistent measure is available. On both counts, it says, the US embargo fails.

Independently of the embargo, measures to protect dolphins have resulted in a steep drop in kills in the Eastern Tropical Pacific, where dolphins swim with tuna shoals, from over 100,000 a year in the mid-1980s to fewer than 5,000 last year.

US alters China MFN stance

By Jurek Martin in Washington

Opposition to President Bill Clinton's decision to extend Most Favoured Nation trading status to China may depend on what non-human rights conditions are attached.

An actual announcement, the presentation of which will be closely watched, was expected either later yesterday or today. The president ducked all questions on the subject during his early morning jog, but administration officials have made it clear that the central decision to de-link MFN and human rights had already been reached earlier this week.

The likeliest target for modest sanctions are Chinese-made guns and ammunition, specifically the SKS rifle, once in standard use by the Chinese army and throughout the former eastern bloc. The ban on sales of Chinese weapons in the US was lifted in 1987.

Nearly 1m SKS guns were imported into the US last year by two Chinese trading companies with close ties to the Red Army, making it the fourth most popular weapon in the country, after three cheap handguns. SKS rifles were described in an article in the Wall Street Journal yesterday by a US government official as "high tech firearms at Saturday Night Special prices". A ban could, therefore, be portrayed as part of the anti-crime drive.

An embargo on an easily identifiable product would be easier to enforce than a broader proscription on goods made by Chinese state industries and prison camps, as demanded by some in Congress and as considered recently by the government.

Congressman David Bonior, Democrat whip, warned yesterday Mr Clinton could face a big fight in congress if he were not "tough enough" with China.

The administration is resigned to the fact that it is certain to come under attack in Congress and human rights organisations for backing away from the president's executive order of last June tying renewal of MFN to improvements in seven areas of Chinese human rights policies. Measurable progress has only been made in two areas.

Some of that sting may be drawn by the prospect of large US commercial contracts with China. Yesterday, for example, Boeing was obliged to deny comment on reports it was close to landing a Chinese order for over 50 airliners valued at over $5bn (£3.4m).

Farm row with Canada eased

The US has moved to lower the temperature in its acrimonious farm-trade dispute with Canada. Mr Jim Blanchard, US ambassador in Ottawa, made an unusual appearance on Canadian television to attack the increasingly aggressive tactics of Mr Mike Espy, US agriculture secretary, writes Bernard Simon in Toronto.

"I don't think he had authority from the president and I don't agree with him," Mr Blanchard said, referring to recent efforts by Mr Espy to secure Brazil's support for Washington's case against Canada. Mr Blanchard is a former governor of Michigan. According to diplomats, his TV appearance had Washington's blessing.

Mr Espy claimed on a recent trip to Latin America that Canada was dumping wheat in Brazil. He offered to provide the Brazilians with evidence of unfair trade practices by Canada.

US and Canadian agriculture and trade ministers will meet in June in another effort to resolve their dispute, which centres on a surge in US purchases of Canadian durum wheat, used mainly for pasta.

The US plans to impose a punitive tariff on imports of Canadian wheat, flour and barley above a specified level if agreement is not reached by July 1.

The action would be taken under Gatt Article 28, which allows a country to impose new trade curbs in cases where existing duties are considered too low to provide adequate protection for domestic producers.

But it also permits the target country to seek compensation through tariff increases of its own. Canada has threatened to retaliate against a wide range of US products.

Dutch enzyme plant for Tianjin

Novo Nordisk, a leading producer of industrial enzymes and insulin for diabetics, is planning to set up an enzymes factory employing about 300 people in China, the company announced yesterday, writes Hilary Barnes in Copenhagen.

Novo Nordisk has acquired a 160,000 square metre site near the town of Tianjin by agreement with the administrative commission of Tianjin economic-technological development area.

The site is big enough to house a plant for pharmaceuticals production as well, said Mr Mads Ovlisen, Novo's chief executive, but added that plans for this stage of the development remain at a very early stage.

Work on the enzymes factory will begin next year and production is due to start in 1998-99, the company said. "China has a population of 1.2bn and large industries in washing powders, brewing, alcohol and textiles. The country therefore has a big potential as a customer for Novo Nordisk's enzyme products," said Mr Rebien Sorensen, who is responsible for the group's projects in China.

Astra-Takeda patent row settled

Astra, the Swedish pharmaceuticals group, yesterday settled a long-running patent infringement dispute with the Japanese group Takeda, writes Christopher Brown-Humes in Stockholm. The out-of-court agreement lifted its A shares by SKr8 to SKr168 ($21.90).

The dispute centred on Losec, Astra's best-selling anti-ulcer drug, which last year had total sales, including sales through licensees, of SKr12.7bn. Losec is the world's fifth best selling drug worldwide. Astra accused Takeda of marketing a generic version of Losec, claiming this infringed the patent protection which Losec enjoys until 1999. It filed a series of suits against the Japanese group and its licensees last year.

Under the terms of the settlement, Astra will receive unspecified compensation for Takeda's future sales of products containing the generic version of Losec.

Letters of credit crackdown

The Paris-based International Chamber of Commerce is launching a new effort to crack down on the growing fraud involving bank letters of credit and guarantees, it said yesterday, David Buchan reports from Paris.

Mr Eric Ellen, director of the ICC's commercial crime bureau in London, said "around $1bn a year" was now going into fraudulent schemes claiming to provide investors with a large return on "prime bank instruments" such as standby letters of credit. Most of these schemes involved forged or effectively untradable items.

The ICC plans to keep banks informed.

IMPROVED DOCUMENT HANDLING

Quicker decisions, higher efficiency

Imaging has moved out of the backroom and into the mainstream of business re-engineering, as CLAIRE GOODING reports here

An imaging system has brought about a startling change at Birmingham Midshires Building Society. Two years ago it took an average of five weeks to process a mortgage application. Now a department only one fifth of its previous *size processes* applications in three weeks.

According to Mike Jackson, chief executiva of the Wolverhampton-based society, 80 per cent of mortgage deals are now offered within this new time-scale. More remarkable is the reduction in staffing levels, from 150 people processing mortgages, to a staff of 30 or so.

"Overall, we've reduced staffing by 1,000, from 2,450 to 1,450 since August 1992," says Mr Jackson. "But this is very much part of a wider process of re-engineering the business. We've already gone through one 'pass' and now we are doing it again."

Birmingham Midshires' system is based on Wang's Open/image software, implemented by City-based Relational Developments RDL – "the imaging system has improved the speed of decision-making," says Mr Jackson.

"One of the key benefits is having all the information on hand, and being able to answer customers' and brokers' questions immediately from the screen without having to refer to paper.

"The second part is that using the database coupled with the imaging system, we have a lot more information and history available on the customer than we ever had available through a paper file; that has brought our arrears levels significantly lower than they were *before."*

It is into this mainstream arena of business process re-engineering (BPR) that image processing is emerging from its niche, in partnership with other information sharing technologies such as groupware and workflow. This drawing together of parallel technologies has been made possible by the general adoption of powerful, highly adaptable (and lower cost) desktop workstations, and robust networking software.

More specific to the imaging market is the mundane but vital business of getting the images into the system, and storing them, once captured. Images are space-hungry, but optical disks have helped: an optical disk of 12ins diameter can store more than 100,000 A4 documents. Scanning technology has also become much cheaper, and like the fax and the PC, come within the reach of departmental budgets.

According to Geoff Bedser, a senior consultant at CMG, (Computer Management Group), image processing is far more relevant to business than it is to information technology (IT) – "IT people don't like it because it reduces their power-base," he comments.

A banker by training, he has long argued the business case for imaging, and his work in CMG's finance division has given him a bird's eye view of the various imaging developments, as well as the offerings *and alliances of various suppliers* whose products have come and gone.

"Over the last five years hardware and software have advanced at an astonishing rate. The emphasis of the system suppliers is now on improved process automation and document handling, rather than straightforward storage and retrieval. Companies who are aiming for optimum efficiency in their document handling are starting to consider the benefits of totally restructuring the way they work."

Customers in a UK estate agency view house plans from a database in Paris BT

Andrea Wharton, researcb director of Twickenham-based Wharton Information Systems, writes an annual review of the UK imaging market in association witb the UK Association for Information and Image Management (UK AIIM). She estimates that electronic document management (EDM) systems doubled sales in 1993, generating a total revenne of more than £130m.

Ms Wharton's report, *Document Management: the Next Steps*, estimates the current number of image processing sites in the UK at more than 7,000. Althongh the larger share of new installations still goes to specialists such as Canofile and Cimage, the report identifies increasing interest among mainstream software publishers including Lotus, Oracle, and Sybase.

Ms Wharton believes that recent improvements in technology including data compression and the availability of high-quality ISDN telephone links, have helped make imaging more appealing as an alternative to acres of *filing* cabinets.

"One of the most difficult things was putting the data around the network. It's now faster, and PCs are more able to handla images without expensive extras.

"Large organisations which had a real need, went ahead and did it anyway. Despite the deficiencies of the technology three or more years ago, they created their own environment behind closed doors. But increasingly we're seeing e desire to give much wider inter-departmental access to image information, so that imaga becomes simply another data-type."

Both Mr Bedser and Ms Wharton underline the fragmented nature of the imaging market, and remark on how difficult it is to break into it. Even companies with as much muscle as Digital Equipment have changed direction several times, and eventually given up the struggle to establish a market share.

As in any emerging market, there are clever innovators in specific niches. Ealing-based Trimco, one-time Cimage distributor, has developed its own large-format technology. Imagesolve of Finchlay (acquired in November 1993 by US-based Banctec) has both PC-based and client-server solutions. US company Excalibur has software for intelligent correction of optical character recognition (OCR), eliminating the inevitable problems of OCR such as coffee-stains on documents.

Concentrating on image rather than text is Bournemouth-based 4Sight, which has practically cornered the market in newspaper publishing with its software for transmitting images via ISDN lines between incompatible hardware.

At the low end of the market are turnkey storage and retrieval systems such as Keyfile and Watermark, sold through third parties. High-end offerings such as Filenet ImagePlus and Plexus have already been widely adopted by banking and financial users.

Wang's partnership with RDL in the Birmingham Midshires site is typical of its strategy to use third parties and systems integrators to sell Open/image. After a disastrous loss of direction, and some years in the financial wilderness, Wang has focused sharply on imaging. David Allcock, marketing manager at Wang UK, is working to develop third-party channels for Wang's technology.

Always clever at building in extras, Wang has built performance measurement into Open/image, but kept its own role anonymous – "we allow VARs to absorb completely our technology into their application: no two-second commercial when the user enters the system," says Mr Allcock.

"Previously we had too many irons in the fire. In the last three years we have spent $50m developing our imaging and workflow technology, and the only way we have of re-couping that is to sell in volume, through resellers, not direct."

Partners now include more than 20 Value Added Resellers (VARS) including House of Speed, Fraser Williams, and Lynxserve.

Open/image's intelligent workload assessment measures the time taken to process workloads, so that financial directors can see the gains – "it allows you to justify the spend and see where the benefita are," says Mr Allcock.

"*Increasingly* the quality of systems is such that any dealer can supply shrink-wrapped imaging solutions. I can see the imaging market turning into a commodity market, like PCs."

The report, Document Management: the Next Steps, available from Wharton Information Systems, tel 081 891 6197.

PRINTERS

Surprises abound

The computer printer industry is one of the most dynamic segments of the office equipment sector and has been growing at double digit rates, reports PAUL TAYLOR

The printer may not share the glamour of the personal computer or demand the respect traditionally accorded to the mainframe or the departmental server, but the changes under way in printers and print technology are scarely less dramatic.

Today, the printer market includes humble dot-matrix machines at the low end, low cost ink-jets for low volume and colour work, high quality personal desktop laser printers, network lasers connected to local area networks, and high speed digital copier-printers in the print room.

In terms of manufacturers, Mr Graham Salmons, a senior industry analyst in Dataquest's European document management group, says, "Hewlett Packard 'owns' the European printer market." HP has around a 33 per cent market share by volume and a similar percentage share by value – worth an estimated $2.65bn.(£1.81bn)

The US manufacture's dominance of the market in part reflects a marked shift *in the sales product-mix. Sales* of printers based on older impact technology – such as dot-matrix and daisy wheel printers – are falling while sales of printers based on non-impact technologies like ink-jet, laser and Led (Light Emitting Diodes) are growing strongly.

This shift has been driven by the clear advantages which laser printers have over their rivals including convenience, print quality, high speed operation, advanced text and graphics capabilities and the rapid erosion of the price premum they once commanded. As e result, the 30:70 balance in favour of impact printers across Europe in 1991 is expected to be reversed over the next couple of years – 1993 was the first year when non-impact printer volumes exceeded those for impact devices.

Despite this, most analysts believe the dot-matrix printer will retain a role as the office workhorse for a limited number of high volume applications including those requiring continuous paper such as orders and invoices.

For low-volume work, particularly in the home market European users in particular have eagerly embraced ink and bubble jet printers which offer fast, virtually silent printing at very low cost.

Ink-jet printing technology has also provided a cost effective means of introducing colour to both business and technical graphics.

According to Dataquest, HP has over 90 per cent of the European colour ink-jet market and over 50 per cent of all injet sales worth $1.13bn last year. Cannon ranks number two with around a 20 per cent share worth about £420m ($613.20m).

Mr Salmons believes that injet printers will continue to replace dot-matrix at the low volume end, and that they will move away from mono to colour as lower priced laser printers are developed.

Nevertheless in the personal printer market, ink-jets also face a challenge from lower cost laser printers, particularly the Windows GDI printers which have recently appeared – some costing less than £400.

These printers take advantage of Microsoft Windows software and PC processing power eliminating the need for costly 'intelligence' to be built into the printer itself. Although print speeds are relatively slow, they offer high quality laser printing at low prices.

More generally two distinct markets for laser printers are emerging – low-end personal printers capable of around 6ppm (pages per minute), and high-end heavy duty desktop printers capable of 16-20ppm for shared use.

The trend towards networking of PCs has clearly fuelled laser printer sales over the past few years although recent research conducted by Dataquest shows that even where PC users are connected to Lans, many of them still prefer to have a personal printer. Dataquest estimates that HP has about 48 per cent of the European market for page and non-impact printers up to 6 ppm (pages per minute) and more than 60 per cent of the 16-20ppm network printer market.

The main trends among the network printers are towards easier installation, simpler operation and greater paper capacity.

Although HP also dominates this market segment, the projected growth of network and workgroup printing is attracting new entrants sucb as Rank Xerox which introduced a range network printers recently.

"Users in network environments are demanding robust, fully featured workgroup printers optimised specifically for multi-user applications," says Mr Richard Gibbs, Rank Xerox' business team manager at a recent product launch. The company's new 4220 network printer offeres enhanced 300dpi (dots per inch) print quality at *speeds up to 20ppm and* seamless automatic emulation switching between print languages.

Multifunctional devices combining the roles of digital facsimile, scanner, printer and copier units are also beginning to appear – although much less quickly than some had predicted.

At the low-volume or 'personal' end of the office equipment market this is epitomised by the DOC-IT systems from Oki, the Japanese office machine manufacturer, which were launched last year. These

□ Continued on next page:

Immigration row heightens poll tensions

By David Owen, Kevin Brown and Roland Rudd

The Conservatives yesterday accused the opposition Labour and the Liberal Democrat parties of seeking to undermine Britain's immigration controls, as the row over the UK's ability to block decisions made in Brussels gained pace.

Raising the race issue for the first time in the increasingly ill-tempered European campaign, Mr Michael Howard, home secretary, said it was vital Britain kept its EU veto over immigration and asylum matters.

This was because firm immigration controls were "the foundation of good race relations". By espousing policies that would "fatally undermine" Britain's veto, both opposition parties were putting at risk "our immigration controls and our race relations legislation". Mr Howard added: "They would make race relations in this country significantly worse."

The two opposition parties hit back strongly, Labour saying it had asked the Campaign for Racial Equality to investigate Conservative "race scares". Mr Jack Cunningham, Labour's campaign manager, said his party had repeatedly made clear it would retain the British veto on justice and immigration issues, as well as for taxation, defence and security matters. "The Tories go on telling lies about us, and I go on saying that they lied their way through the 1992 general election," he said. "We are not going to let them get away with lying their way through this one."

Mr Charles Kennedy, Liberal Democrat president, said it was "distasteful" for the Conservatives to "play this card at this stage in the campaign". It was "not at all appealing to see this sort of jingoism".

Meanwhile, Mr Paddy Ashdown used a visit to Eastleigh, where the Liberal Democrats are hoping to win the parliamentary by-election next month, to attempt to address suggestions that the party's policy on Britain's veto was in disarray.

Mr Ashdown drew a distinction between the legislative and executive decisions in the European Union. He said the Liberal Democrats supported the retention of the national veto in executive decisions but not in the legislative.

National issues, such as defence, finance and immigration would also be subject to an effective national veto because of the party's support for double qualified majority voting. Mr Ashdown also made it clear that any change in the national veto would be the subject of a referendum.

However, Mr David Hunt, employment secretary, said Mr Ashdown's distinction between legislative and executive decisions were far too blurred to be of any meaningful use. Mr Ashdown's commitment to turn the Council of Ministers into a "Euro-cabinet" showed he would settle for "nothing less than a centralised European superstate".

Farmland shows higher returns

By Deborah Hargreaves

Investment in Britain's agricultural land last year generated the highest returns for fund managers in 14 years, according to a survey by Savills land agents.

Institutional investors saw a 16.3 per cent return from agricultural holdings, including profits from the sale of land.

Mr Jim Ward, head of agricultural research at Savills, said the rate of investment income from agricultural land had outperformed commercial property by 5 percentage points over the past 6 years. However, property returns are still well below those in the equity market, where pension funds earned 28 per cent last year.

Around 30 per cent of Britain's farmland is owned by large landowners such as the Church of England, the National Trust and the Queen with financial institutions holding about 1 per cent.

Financial institutions moved heavily into farmland investments in the 1970s when inflation was high and farm incomes were rising rapidly. But most have since been seeking to reduce their holdings.

Most fund managers are concerned that land values will drop over the long term as a result of Common Agricultural Policy reforms which will cut farm produce prices. Savills reckons institutions sold 45,000 acres of farm land last year.

The survey is drawn from a sample of 49 financial institutions which between them own 202,000 acres of agricultural land – down from a peak of 550,000 acres in 1984.

Land prices are 20 per cent lower in real terms than in 1980, but land values rose last year with the upturn in farmers' earnings. Institutional purchases of farmland dried up last year and fund managers bought only 2 per cent of farm properties compared with 38 per cent in 1992.

A policeman talks to a protester at a demonstration in Leytonstone, east London, yesterday against a motorway extension. Protesters clashed with security guards and contractors in efforts to stop them clearing trees in preparation for the M11, which will link the Cambridge-to-London motorway with central London. The demonstration is a further example of mounting environmental objections to construction projects, especially new roads

Photograph: PA

BBC TV in limited return to Hong Kong

By Raymond Snoddy

BBC World Service Television will return next month to Hong Kong on a limited basis.

The BBC lost its ability last month to reach the people of the region after the corporation agreed to take its channel off the Star Television satellite system, controlled by Mr Rupert Murdoch's News Corporation.

Wharf Cable, Hong Kong's cable network, will carry four hours a day of BBC World Service Television news and information programming, with six hours daily at the weekend.

Mr Bob Phillis, BBC deputy director-general and chairman of BBC Worldwide, which oversees the corporation's international activity, said yesterday in Hong Kong that the deal was only a beginning.

"This is the first step towards our goal of resuming 24-hour transmission of BBC World Service Television to the Far East," he said.

The BBC agreed to go off the northern beam of the Star satellite before the end of its contract in a deal to extend time on the southern beam, covering the Indian subcontinent.

The BBC also said its news and information channel would be available in New Zealand early next year on a network of regional stations. Programmes will also be carried on the TVNZ national channel, TV1.

Backdown on mining-related illness liability

The government is to remove one of the remaining obstacles to coal privatisation by backing down from its insistence that purchasers shoulder all liabilities arising from industrial illnesses of employees inherited from British Coal, writes Michael Smith.

It is now prepared to take on some of the liabilities itself.

The retreat came after intense pressure from prospective bidders who warned that a continuing hard line by ministers could have made insurance impossible.

N.M. Rothschild, the merchant bank advising the government on privatisation, said yesterday 33 parties had submitted applications to qualify for bidding by Wednesday night's deadline.

All of the regions are thought to have attracted interest from at least four potential bidders. It is understood that overseas companies, including some from Australia, are among the applicants. Interest from north America is believed to be less than the government was hoping for.

Potential bidders, who paid £15,000 to "pre-qualify" for each region and £6,000 for each standalone pit, have until September to decide whether to bid. The decision on illness liabilities will be welcomed by potential bidders. Although not the only liabilities issue which concerns them, it is one of the most significant. According to Nacods, a pit union, claims from former miners suffering from work-related sicknesses could exceed £5bn.

The Department of Trade and Industry would not comment on industrial illness liabilities, but stressed that all coal workers, past and present, would be fully protected.

Britain in brief

Labour pledge on bank 'openness'

A future Labour government would continue to publish the minutes of monthly monetary policy discussions between the chancellor and the Bank of England, Mr Gordon Brown, shadow chancellor, said yesterday.

Mr Brown said he had "no plans" to stop publication of the minutes in spite of the political difficulties that could follow the disclosure of differences with the bank.

His pledge could help Labour convince the financial markets of the credibility of its economic policies and its commitment to low inflation. The danger of an open clash with the bank over inflation prospects might inhibit the pace at which Labour could implement an expansionary policy aimed at creating full employment.

British Gas seeks fewer barriers

British Gas called for the early lifting of regulations that restrict its activities in the commercial market of consumers who use more than 2,500 therms a year.

Mr Cedric Brown, chief executive, told an energy conference in London that government efforts to promote competition were now "anti-competitive, because they tilt the playing field in favour of other companies".

He said market share constraints had resulted in competitors capturing 45 per cent of the market above 2,500 therms a full year before a deadline imposed by the UK's monopolies commission.

Mr Brown warned that the phased opening of the domestic market beginning in 1996 was a "massive experiment" affecting 18m households, and that there was "precious little time to work out potential problems."

MPs warn over pension reform

Pressure for an overhaul of occupational pension law intensified yesterday as a cross-party committee of MPs urged changes even beyond those currently under consideration by the government.

The Tory-dominated Commons Social Security Select Committee said in a report the proposals the government is expected to put forward on pension law reform would not do enough to protect the security of workers' pensions.

It urged that schemes be required to give more generous pensions to those who change jobs and said individuals should be able to challenge trustees in court.

Former Defence official jailed

A former director of the Ministry of Defence munitions procurement department, who received £1.3m in illegal payments from foreign arms companies, was jailed for a total of four years.

In Britain's biggest cash corruption case, Mr Gordon Foxley, 69, also had assets worth more than £1.5m confiscated at crown court in east London.

Mr Foxley was found guilty last November of 12 counts of corruption between 1979 and 1984. He was given 18 months to meet the confiscation order or serve a further three years in prison.

Purcell volume sold at auction

A small calf-bound volume containing the only keyboard music by English composer Henry Purcell in his own hand known to have survived sold for £276,500 at Sotheby's yesterday. The price was at the lower end of the forecast.

The 21 harpsichord pieces were discovered in a mass lot at another auction house last year. The buyer was UK dealer Otto Haas, but there was a strong possibility that he was bidding for an overseas collector.

Purcell is one of the few British composers with an international reputation.

User unfriendly

"At present, the property industry bears analogy to the old discredited economies of east Europe, where customers were provided with what the factories found most convenient to produce."
Sir James Blyth,
chief executive of Boots

Vanessa Houlder on an industry accused of being at odds with its customers

The property industry may have escaped the scrutiny in the UK Department of Trade and Industry's white paper on competitiveness, but as the above comment demonstrates, it has no grounds for complacency.

Speaking at a conference on *Property in the Economy* in Cardiff on Monday, Sir James Blyth ettacked the property industry's lack of regard for the needs of its customers.

At a time when the rest of the commercial world is becoming more flexible and responsive to customer needs, the property industry has become more rigid and uniform, Sir James said. The industry has allowed itself to be dominated by the needs of its financiers, leeding to a lack of flexibility and innovation in the leases it offers tenants.

The traditional institutional lease, with its 25-year duration and five-yearly, upward-only rent reviews, has led to distortions in the market, he said

"In the UK much of the economic success of the past decade has come from freeing up the supply-side of the economy, and from recognising the pre-eminence of the customer. It is important that property, too, responds to these imperatives if the UK economy is to expand further," Sir James added.

It is e familiar theme. The possibility that the workings of the commercial property market damage the wider economy has been raised repeatedly over the past couple of years, by academics, businesses, lobby gronps, the Bank of England and the government.

The Department of the Environment has consulted widely on the case for reforming a number of the industry's practices, including outlawing upward-only rent reviews and confidentiality clauses, which restrict the available information on rent reviews. The Treasury is also thought to be concerned that upward-only rent reviews may be at odds with its anti-infletionary policies.

The government has already accepted the case for reforming the current law on privity of contract, under which a tenant bears the responsibility of paying rent if e lease has been passed on to another tenant who subsequently defaults.

Property investors oppose government intervention in the industry. Many investors fear that legislation conld scare away institutions. There is a precedent: in 1965, institutions virtually abandoned the residential property market following pro-tenant legislation. Developers and investors require a reasonable return over a sufficiently long period to justify capital investment; restrictive legislation could deter many developers from making long-term investments.

The government may be dissuaded from enacting restrictive legislation if it can be persuaded that the industry can sort out its own problems.

Landlords and tenants, for instance, may be able to reach a compromise over the length of leases. Most institutions are content with 15-year leases and would even accept 10-year ones. The 1980s property glut has given tenants a strong bargaining position, forcing landlords to agree to short leases, with regular break-options.

Even if landlords and tenants reach a compromise, the sector remains open to attack, as its problems extend beyond lease structures.

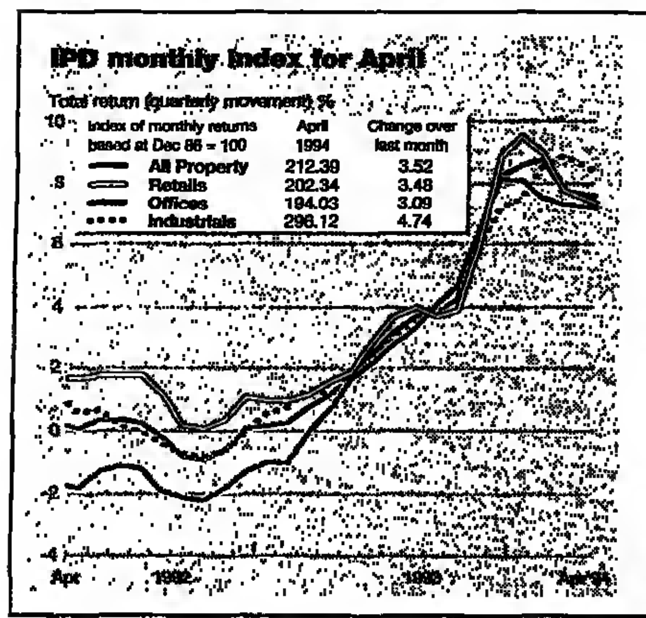
Its past mistakes are all too visible: the glut of offices in central London is evidence of that.

Ths UK arguably invested too much on new buildings in the second half of the 1980s, at the expense of other forms of investment. Britain had the highest increase in non-residential building investment of any of the Gronp of Seven economies and the lowest rise in investment in plant and machinery.

Yet many argue that a far greater problem facing the industry is the time lag between planning and completing a speculative development. The risk that economic conditions can change radically in the time a building is under construction makes the industry highly cyclical, prone, for example, to periods of oversupply.

A recent report on property cycles published by the Royal Institution of Chartered Surveyors, recommended that the industry should consider how "the speed of the development responses could be accelerated, how market signals could be read with greater circumspection and how other ways of meeting occupier requirements, such as custom building, could be encouraged".

Responding to these suggestions would help introduce more stability and might also deflect charges that the industry undermines the health of the economy as a whole.



The rate of return from commercial property investments fell in April, according to the Investment Property Databank, a research group.

The All-Property Total Return fell from 3.1 per cent to 1.7 per cent, while capital values increased by 1.0 per cent, compared with 2.4 per cent in March. But there was an improvement in the year-on-year movement in capital values, which rose to 25.9 per cent from 24.5 per cent for the 12 months to March.

Total returns slowed across the board in April, as the rate of capital growth declined across all three sectors. Retail property produced a total return of 1.8 per cent for the month, down from 3 per cent, whils office and industrial property both returned 1.6 per cent, a fall of 1.5 points and 1.9 points respectively.

The year-on-year figures for total returns continne to improve. In the retail sector, total returns rose to 26.6 per cent for the year to April, compared with 25.3 per cent for the year to March. Over the year, capital values rose by 17.4 per cent and rents declined by 1.7 per cent.

In the office sector, total returns rose to 24.7 per cent, a 1.3 percentage point increase on the year to March. This stemmed from improved capital and rental performances which moved by 13.4 per cent and -10.5 per cent, respectively. Industrial property's year-on-year total returns rose by 1.6 percentage points to 25.8 per cent.

Matthews: possible reunion with Beazer

John Matthews, 49, has resigned as chief executive of Indosuez Capital, the London merchant banking arm of France's Banque Indosuez. His departure increases speculation that he is preparing to help his old boss, Brian Beazer, make a stock market comeback.

Matthews joined Indosuez in October 1991 a few months after quitting Beazer, the fast expanding construction group. Banqne Indosuez said that it was "very much an amicable parting". Matthews is reluctant to elaborate on his reasons for leaving save to say that Indosuez's ambitions for London differed from his own both in terms of size and capital.

Matthews (right), who worked for County NatWest for 17 years, made his name as the merchant banker who helped Brian Beazer transform his small West Country building firm into one of Britain's biggest construction companies in less than a decade. When Matthews brought Beazer his first deal, the company was capitalised at £4m. At its peak, Beazer was capitalised at over £800m and at the end of 1988 Matthews moved across from County to be Beazer's deputy chief executive.

However, Beazer expanded too rapidly, fell out of favour with the stock market and Matthews stepped down from a heavily-indebted Beazer a few

months before it fell into the hands of Hanson in September 1991.

Matthews is taking the summer off to ponder his next move. He does not rule out teaming up once again with his old boss, Brian Beazer, 58, who has been spending most of his time in the US where he is a partner in Louis Nicoud, a New York stock broker, and chairman of Beazer Homes USA, a Georgia-based housebuilder, which was floated off by Hanson earlier this year.

"Brian and I see ourselves as investors, getting involved when needs be, rather than full-time partners," says Matthews. At the moment they are talking about backing the stock market ambitions of another ex-Beazer executive, Chris Pople, but are open to ideas, says Matthews. Indeed, he's prepared to offer a magnum of champagne for the best idea.

BT rings the changes

Tony Booth, 55, is retiring as managing director of BT's special businesses division. The division – which includes BT's highly successful Cellnet cellnlar mobile joint venture with Securicor – is thought to be a likely target for reorganisation, with its businesses integrated into BT's main service divisions.

Rnpert Gevin has been appointed director of BT's Information, Communications and Entertainment programme – a key unit for developing the inter-active multimedia services which BT hopes will be money-spinners later this decade.

Gavin, 39, has spent 11 years in advertising, and is expected to give e consumer edge to BT's multimedia projects. His predecessor, Paul Reynolds, moves to become general manager of BT's customer service division in Scotland.

■ Duncan Sperry has been promoted to general manager of VERIFONE's UK operations.
■ Michael Hunt, formerly vice-president, international, at Software 2000, has been appointed president of Europe for ROSS SYSTEMS.
■ Douglas McKenzie, formerly an md at Fife Indmar, has been appointed md of METHODE ELECTRONICS Dumbarton plant.
■ Inder Dhingra has been appointed md of EXECOM (UK).
■ John Rogers has been appointed director in charge, Daniel Gallagher director of operations and finance, and Geoffrey Mitchell director of sales and marketing at RACAL Messenger.
■ Chris Bantoft, formerly md of Alcatel Business Systems, has been appointed md of ACC.
■ Roger Whitehead, formerly sales & marketing director – technical platforms, at Unisys, has been appointed business development director – Europe, Africa and the Middle East at WANG.
■ Katsuji Kurabayashi, previously md of Oki Data Systems in Japan, has been appointed md of Oki (UK); he succeeds Hiroshi Kojima.
■ Jeff Graham, UK md of SOFTWARE AG, has also been appointed director of the company's western European region.
■ Mark Edwards has been appointed md of CBT's multimedia poblishing division; he moves from Microsoft.
■ Andrew Hind (below) has been appointed md of SIEMENS Measurements; he moves from Siemens medical engineering group.

Tucker moves up at the Bank

Following the Bank of England's recent restructuring, Paul Tucker is to become head of the Bank's gilt-edged division on July 4. The high-flying 36-year-old has been a senior manager in the Bank's gilts and money markets division for the past two years, but before that he was personal secretary to the former Bank of England governor, Lord Kingsdown.

Former colleagues describe him as well-respected and ambitious, and "not afraid to ruffle a few feathers. He knows his stuff and doesn't suffer fools gladly".

Tucker will continue reporting to his former boss, John Townend, who will become a dspoty director in charge of gilts, money markets and foreign exchange.

Terry Smeeton, an old hand in the Bank's foreign exchange department, will be the division head in charge of foreign exchange.

Enterprising database

■ Peter Benton, a former director general of the British Institute of Management, is to become chairman of Enterprise Adventure, a database that aims to bring together private investors and small companies seeking early stage finance.

Enterprise Adventure is a subsidiary of Enterprise Support Group, where Benton is already chairman. The group works with the Department of Trade and Industry on the government's Enterprise Initiative, funding for which is running out later this year.

Enterprise Adventure hopes to provide business angels with an on-line database of private companies seeking development and expansion capital.

■ Lars Evander, head of SVENSKA HANDELSBANKEN's UK region, has been appointed head of Handelsbanken Markets, based in London.
■ Simon Walker has been promoted to director of TILNEY & Co.
■ Andrew Berger, formerly an md of Wertheim Schroder, has been appointed md of LEHMAN BROTHERS' financial services division in Europe and the Middle East, based in London: Jerry Coughlan, formerly e director of Morgan Stanley, has been appointed an md and deputy head of international capital markets.
■ Michael Cobb and Ruth Keattch have been appointed directors of GRANVILLE DAVIES.
■ Tom Gallagher, general manager, consumer banking, Bank of New Zealand, part of National Australia Bank Group, has been appointed chief executive of YORKSHIRE BANK, also part of NABG, on the retirement of David Knight.
■ Sholto Hedderwick has been appointed to the board of TANGIBLE SECURITIES.
■ Peter Bickerton and David Milne have joined the board of CEDEF GROUP.

MANAGEMENT

William Dawkins on a Japan-based outdoor training course that is not the usual hell

Learning to trust others in China

A small cultural revolution is taking place in the shadow of the Great Wall of China, in hilly country two hours' drive north-east of Beijing.

China's first outdoor management training centre opened there this month near the remote hamlet of Jin Shan Lin. The centre, which has the government's blessing but is operated by an independent foreign firm, is a microcosm of the country's economic liberalisation.

It is run by I Will Not Complain International, a training company based in Chiba, near Tokyo in Japan. Its mission is to nurture western management values such as innovation, independence and originality among the entrepreneurial leaders of China's economic expansion and the staff of multinationals in the region.

If IWNC's recent experience in helping unthinkingly loyal Japanese executives to think for themselves is any guide, this latest western idea to enter China has a good chance of taking root.

IWNC had already worked for a US-Chinese joint venture before opening a base in China. The first customers at the centre will be Reuter's Japanese sales team in July followed by the Asia-Pacific regional managers of Smirnoff in October.

IWNC's founder, Anthony Willoughby, a professional explorer and former salesman, opened his Japanese outward bound centre five years ago to strike a civilising challenge to the "hell camp" style of traditional Japanese outdoor training centres.

Since start-up, 5,000 staff have been through the IWNC course at Chiba, mainly from foreign groups such as Du Pont, Reuter and American Telephone and Telegraph, but also including a handful of Japanese groups such as Kanematsu, the trading house.

In spite of Japan's deep recession, the number of participants rose 30 per cent to 1,500 last year, of which four-fifths were repeats or direct referrals. Willoughby believes the recession may have helped him by encouraging Japanese companies to question the value of blind obedience, thereby improving management productivity.

Annual turnover exceeds $1m (£600,000) and a Kenyan centre, operated under franchise, is to open in July.

Willoughby had the idea of launching a training school five years ago, after taking part in a Japanese-style course. It included early morning cold showers and ritual screaming of slogans such as "to think you will be liked by your subordinates is wishful thinking".

He had hoped to sharpen his own talents as a leather goods salesman. But the experience also suggested that there might be a Japanese market for a more creative kind of training, along western lines.

Japan's hierarchical management tradition demands loyalty, but it does not always breed trust, observes Willoughby. The subordination of individual needs to those of the company, as embodied in hell camp training, can also stifle original thought, preventing executives from fulfilling their potential, he argues.

Accordingly, the physical tasks Willoughby has chosen for his three-day course are light enough to make the experience fun, but demanding enough courage to reinforce participants' trust in themselves and each other.

While the Chinese have never been noted for lack of self-confidence, they could benefit from another of IWNC's aims – to break down social barriers between different nationalities in the same management team.

In one task, for example, team members must climb an 8m pole and leap from the top to catch a trapeze, while colleagues hold their safety harness. In another, members take it in turns to fall backwards off a 2m platform into colleagues' arms.

At the end of the day, participants gather for a large and liquid meal in the courtyard of an old farmhouse with a view of the Great Wall. The discussions that take place at these events, as formerly reticent participants relax, can be the most valuable part of the course, says Willoughby.

Equally, senior managers can retire for a board meeting in an open 17th century stone turret with a commanding view of the Great Wall and surrounding hills.

The course strives for an un-Japanese light-hearted tone, embodied in the company's name. This comes from the promise not to grumble that Willoughby has extracted from members of his various exploration expeditions since a trip to Papua New Guinea was spoilt by someone who griped when food ran low.

One clause is: "I will not complain if I get eaten or trodden on by animals." Another is: "I will not complain if two porters/ camels/ horses are employed with the sole responsibility of carrying wine."

Joking apart, the IWNC name is supposed to underline self-reliance, a theme that parallels the Japanese admiration of uncomplaining perseverance. Indeed, one Japanese businessman has praised the expedition rules as a philosophy of life.

As in Japan, IWNC's main customers in China are likely to be foreign companies or joint ventures seeking to instill team spirit into teams of mixed nationalities and backgrounds.

Its first, last year, was an alliance between SmithKline Beecham, the US pharmaceuticals group, and the Chinese government. The group asked IWNC to run an outward bound course for 70 Chinese salesmen at its own headquarters in Tianjin.

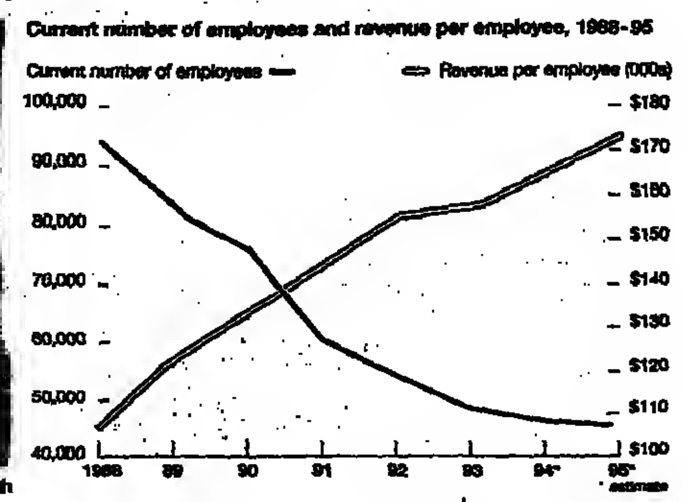
Their response was mixed; some thought the course taught them to achieve higher goals, but others, mainly older members, would have preferred to spend the money on buying presents for customers.

True to the contract, however, they did not complain.

Unisys's big productivity leap

Source: Salomon Brothers

James Unruh



From caterpillar to butterfly

Leading computer manufacturer Unisys has come back to life after metamorphosis, writes **Alan Cane**

A piece of seemingly perverse management wisdom is beginning to sink in among the boardrooms of the world's beleaguered computer giants: "Doing what you do best can destroy you."

More accurately, perhaps, companies can be destroyed by continuing to do what they do best in the face of evidence that their business environment has changed.

US manufacturers International Business Machines, Digital Equipment and Unisys are examples. They are all masters of the art of big computer design and production, yet their market is in retreat as customers increasingly look to networks of smaller computers for more cost-effective data processing. The falling price of technology, which cut one third off the cost of IBM mainframes last year alone, is a further headache for these companies.

The consequences are well known. IBM is struggling to recover from three years of losses and large-scale redundancies while the future of Digital, once second only to IBM, looks uncertain at best.

But Unisys, which three years ago looked dead in the water, is different. The product of the 1986 merger of Burroughs and Sperry, it has now been profitable for two successive years after losing almost $2.5bn (£1.66bn) between 1989 and 1991. Its first-quarter results this year were encouraging with earnings per share, before special items, of 21 cents a share against 16 cents the year before.

The man widely credited with the recovery – chairman and chief executive James Unruh – is not merely content to rescue the company. Unruh, who took over in 1990 from Michael Blumenthal, is intent on re-establishing Unisys as a force in global data processing through a fundamental reorientation of its strategy and management style.

For a start, the new Unisys will be smaller. At its peak, the company employed some 120,000 people – now the total is less than 50,000. Once revenues hovered around the $10bn mark; in 1993 they were $7.7bn.

Unisys will still make and sell computer hardware – "We are not going to become a computerless computer company," Unruh says – but it will extend its already catholic attitude to sticking its own logo on other maker's systems. The processor chips in its next generation of systems will be manufactured by its old rival IBM, for example.

Unisys aims to become an information management company: in Unruh's words, "client-driven, technology-based and services-led". This compares with the company's earlier attitude which amounted to a kind of technological fascism: "We used to develop the next bigger, faster version of what we were doing and send salespeople out to find customers who could put these things to use."

Unruh stopped Unisys concentrating on what it could do best, making mainframe computers, and shifted the emphasis towards software and services. This is not new in itself. Every big computer maker is looking for increased revenues from services as profit margins on mainframes are squeezed.

But Unruh has moved with a speed and conviction which has not been obvious at other companies. Staff numbers were almost halved in 12 months at a cost of more than $1bn. The company pulled out of semiconductor manufacturing, saving $100m a year in the process. Payroll and other services were contracted to outside suppliers.

Contraction at IBM and Digital has been drawn out and painful, leaving remaining staff anxious and demoralised. Digital is still faced with cutting a further 20 per cent of its workforce.

The major challenge for Unruh, however, was to transform Unisys rapidly from hardware manufacturer to services company. It meant a big cultural shift. An important appointment was Victor Millar, formerly with global advertising agency Saatchi & Saatchi, engaged to head the company's consulting side in November 1992. Millar had earlier been with the accountancy firm Arthur Andersen for 25 years, where he was widely credited with the growth and success of its consulting operations.

Earlier this year, Unruh also appointed Malcolm Coster as president of the company's Europe, Middle East and Africa division. Coster, a software specialist and management consultant, had been head of international business development at Coopers & Lybrand. Coster believes Unruh's secret is a realisable vision of the future: "He sees the butterfly the caterpillar can become, not an improved caterpillar."

The question remains how rapidly to diffuse the knowledge and experience necessary for successful computer consultancy through a hardware-based organisation. Unisys's answer is making the best of what you have and buying in what you lack.

Some of that experience, Unruh says, is locked within the company. Unisys's size and global reach gives it an enviable window on the business issues facing its customers. Furthermore, it had a sound technical background in some of the more difficult computing applications – airline reservation systems and global funds transfer, for example.

"We were able to build on that," says Unruh. "We did not start from zero, but we are finding our way."

The fact remains that of the company's 6,000 professional services staff around the world, most are skilled in technical areas, such as project mangement and systems integration. "To a lesser extent, we have people with the ability to go to a client, understand their environment and determine what technology is best for them. That is where we have had to learn more. We have some of that knowledge because historically we used to give it away. We did a lot of that for clients as part of getting their computer business. Part of the learning process was understanding how to charge for these services."

Today, Unruh says, the company is limited in its growth by human resources. "We could grow faster if we had more people with this kind of knowledge and capability. We do not have the time to retrain everybody."

The evidence that Unruh's strategy is succeeding lies in the financial results. More tellingly, perhaps, the time it takes customers to pay their bills is down from 87 days to 47. "Only satisfied customers pay you," Unruh smiles.

OBITUARY

BAILEY. PAUL TOWNSEND, 54 Suddenly at home, 23 May. Survived by wife Barbra, children Liz & Doug, brother John, sister Helen, nieces & nephews, who all loved him very much. Celebration of his life on Sunday 5 June, St John's Wood Church (lords round-about), 2.30 pm family & friends welcome to come and speak. Donations to the Samaritans room PTB, 10 the Grove, Slough SL1 1QP. No flowers please.

TECHNOLOGY

Daniel Green looks at the latest improvements in blood products, in a continuing series on drug advances

Red, white and better all over

The blood products sector used to be a quiet backwater of the healthcare business. Now, it is a rapidly growing money-spinner. The engine of change has been biotechnology, and the treating of blood disorders has created the first superstar of that business, California's Amgen.

Five years ago, blood products meant substances derived from blood. These would be used in blood transfusions and as supplements in conditions such as haemophilia (uncontrolled bleeding).

But the business suffered from high costs, owing to the laborious nature of collecting blood from donors, a lack of patent protection which in turn limited prices, and periodic scandals over contamination. Few of the big pharmaceuticals companies bothered to get involved.

What biotechnology did was to make possible the high-volume manufacture of some of the components of blood, even those that appear in only minute quantities in the body.

Two big-selling products have been developed so far. The most dramatic sales have come from erythropoietin (EPO), a hormone produced naturally by the body which Amgen has synthesised and commercialised as Epogen.

EPO is used to treat anaemia, a condition which can arise when not enough EPO is made by the kidneys. EPO travels via the bloodstream to the bone marrow were it stimulates the production of red blood cells. It is these cells which carry oxygen from the lungs to the rest of the body.

For more than 30 years, patients with kidney disease have received dialysis, a mechanical treatment that mimics much of what the kidney does. But dialysis machines do not make EPO, so the patients develop anaemia.

In the past these patients have received blood transfusions, an expensive and laborious procedure that carried risks of infection and other complications. Today the shortage of natural EPO can be addressed directly by Epogen. Amgen says that 80 per cent of dialysis patients in the US now receive the drug.

The second new drug stimulates the development of white blood cells – a central component of the body's immune system – rather than red. Granulocyte colony stimulating factor (G-CSF) also works by stimulating the bone marrow, but this time to produce white blood cells.

G-CSF is sold by Amgen as Neupogen. It is used in the treatment of cancer patients because chemotherapy damages the bone marrow and with it the body's defence mechanisms.

Chemotherapy patients are especially vulnerable to infection. Giving them G-CSF not only allows them to improve their defences against infection but means that more of the chemotherapy agent can be used to try to deal with the cancer.

Both Epogen and Neupogen are made by the complicated, but now well-tested, techniques of genetic engineering. Scientists analyse human EPO and identify its components. With that knowledge, they can calculate the shape of the gene that triggers the production of EPO and scan thousands of human genes to search for it.

Once the correct human gene is identified, it is put in the ovary of a hamster. The egg that the ovary later releases is capable of making EPO. It divides many times and a master cell bank is built up.

For large-scale manufacturing, cells from the master bank are nourished in a fluid. As they grow they secrete EPO. The fluid is periodically removed and the EPO extracted, purified and bottled.

Amgen received its first patent for this process in October 1987. Less than two years later, the US Food and Drug Administration approved its use for kidney patients. Neupogen was approved by the FDA in 1991.

The drugs are among the most effective on the market today because they are chemically identical to natural products of the body. As natural products they cannot be patented and cannot easily be improved upon. Amgen protects its discovery through patents on the manufacturing method and the uses of the drug.

These patents are effective enough to have shut out competition and allow high prices to be charged. One course of Neupogen costs about £800, for example, and a cancer patient may need several courses.

The pay-off is that patients are far less likely to have to come back into hospital to be treated for en infection that the white blood cells would normally have fought off. That saves money on both hospital beds and the cocktail of antibiotics that would have to be administered.

The combination of high price and potential savings to buyers translates into big profits for Amgen: the first three months of this year saw pre-tax profits of $93.5m (£62.3m) on sales of $345.7m.

The success story has barely begun. According to analysts at stockbroker Lehman Brothers, by 2000 Epogen will be the world's best selling drug with Neupogen not far behind in third place. Their combined sales will be more than $5bn a year, roughly the level of the UK National Health Service's annual budget today.

The successes of Neupogen and Epogen have now attracted other companies into research and development programmes. They include Sandoz of Switzerland, which has signed research agreements with North American biotechnology research centres Terry Fox Laboratories in Vancouver and Systemix in Palo Alto, California.

One of the most advanced research programmes is at British Biotechnology, in Oxford. It is trying to combine the effectiveness of both Epogen and Neupogen by defending the bone marrow against damage.

This can be done by first recognising that chemotherapy agents kill cancers by destroying cells that are dividing. Chemotherapy does not distinguish between cancer cells and others that are dividing, such as hair, which is why cancer patients often lose their hair.

Bone marrow contains the cells, called stem cells, that divide and develop into a range of blood cells – red, white and the platelets which cause clotting.

British Biotechnology's programme is to develop a drug that temporarily switches off the division of stem cells. The chemotherapy agents will then leave the stem cells untouched and when the therapy is finished, they can be switched on again.

"Rather than a treatment for the damage caused by chemotherapy, it is a prophylaxis or prevention of the effect," says Peter Lewis, director of research and development at British Biotechnology.

The company is not the only one developing a stem cell protector. Sandoz, Sweden's Astra, and T-Cell Sciences, a California biotechnology company, are close behind. The pharmaceutical industry knows that there is a huge market to be tapped.

This is a far cry from a decade ago when Epogen and Neupogen found themselves in virgin markets. There were no products they could compete with and there were no sales forces or doctors accustomed to selling or buying treatments.

Amgen established a series of licensing deals and joint ventures with big drugs companies even though many companies were sceptical. "It was a completely novel drug," explains Paul Hooper, UK marketing director for Swiss company Roche, now Amgen's joint venture partner in Europe for Epogen.

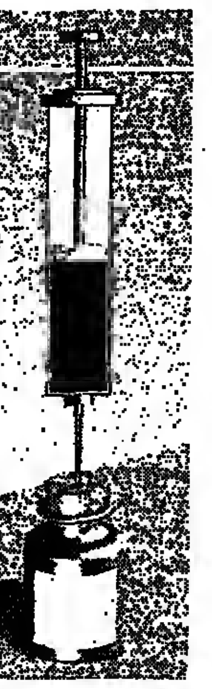
Another company, one of the largest in the US, turned down the chance to be a licensee. "We didn't recognise its potential," says a former senior executive. "Later I felt like the record company man that turned down the Beatles. I won't be making that mistake again."

The series continues next month with a look at pain killers.

Worldwide blood factor sales

Company	Brand	Generic	1992 ($m)	1993 ($m)
Amgen	Neupogen	G-CSF	544	719
Amgen	Epogen	erythropoietin	506	587
Johnson & Johnson	Procrit/Eprex	erythropoietin	450	625
Chugai	Epogin	erythropoietin	225	270
Sankyo	Gran	G-CSF	162	194
Sankyo	Espo	erythropoietin	162	183
Chugai	Neutrogin	G-CSF	117	134
Immunex	Leukine	GM-CSF	26	42
Green Cross	Leukoprol	M-CSF	29	[illegible]
Sandoz	Leucomax	GM-CSF	[illegible]	[illegible]

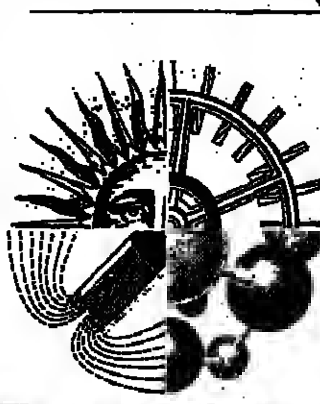
Source: Datamonitor



■ Articles over the last six months have looked at pharmaceutical advances in the following areas:

Multiple sclerosis	29 April
Sepsis	31 March
Prostate	25 February
Wound healing	21 January
Obesity	23 December
Contraceptives	12 November

Worth Watching · Andrew Fisher



Elegant speakers make their entrance

Combining a taste for hi-fi sound with a desire for elegant surroundings is not always easy – loudspeakers can be bulky and obtrusive.

Dance London, a small UK company, has developed the Mirage speakers to help overcome this dilemma. Shaped rather like a pair of curved, squat lamp bases, they are made of durable ceramic and send out what Dance calls "all surround sound" at 360° instead of the more limited direction of conventional speakers.

The "sweet spot", where the listener sits at an equal distance from each speaker, is enlarged by the way the Mirage sends the sound on to a cone-shaped deflector and then out into the room.

Using a Danish-made loudspeaker drive, the speakers are made in the UK; they will appear in shops later this summer. The basic units priced at £230; a £199 sub-woofer (of special resin) for enhanced bass will cost an extra £199.

Dance London: UK, 081 5673229

Brussels at the touch of a button

Keeping up with the myriad reports, memos, speeches and other documents that pour out of Brussels and European capitals can be a nightmare.

But for those who need access to European Union and UK government policy announcements, Context, a UK company, has launched a new service in its series of CD-Rom products called Justis Official Press Releases. It combines the EU's Rapid database of documents and communiques (from 1985) on economic, trade, science and technology and other sectors with the Hermes database of more than 35,000 UK government press releases.

It costs £587.50 a year and is updated quarterly. News released between updates is available from an on-line computer link.

Context: UK, 071 2677055

Smoother ride for wheelchairs

Staircases are a big problem for people in wheelchairs and spiral staircases present a particular challenge. TGR of Bologna in Italy has developed its advanced Explorer chair to allow users to tackle complicated stairways – especially in offices and public buildings – without any help.

It works through a combination of wheels and crawler tracks, with the seat balancing automatically to prodoce a level posture even when ascending or descending. Powered by batteries and controlled by sensors, the Explorer (costing £12,000) is easily operated by a joystick.

"It makes a tremendous difference to the disabled," says Howard Daly, head of Wheelchair Corporation, distributor for the UK and parts of continental Europe. Mouth control and voice activation features are also being developed.

Wheelchair Corporation: UK, 081-9545848.

Vehicle caught by neural network

Neural networks, which recognise patterns rather than carrying out vastly complicated calculations, are penetrating into a variety of industrial and financial areas. Racal, the UK electronics company, has used the technology for its new vehicle number plate registration system designed to work in the day or night.

Called Talon, its applications cover traffic monitoring and security operations. It was developed with Cambridge Neurodynamics, a specialist in digital signal processing and pattern recognition.

The system works by being "trained" to recognise a large number of repetitions of a set of characters. The network builds a statistical model which adapts to the features that make each character distinctive. Thus it also works well when number plates are crooked and the numbers are partly hidden or dirty.

Racal Radio: UK, 0734 875181

Theatre/Alastair Macaulay

Mixed feelings in 'Twelfth Night'

Part of what makes young Emma Fielding, the RSC's new Viola in *Twelfth Night*, so captivating is that she is made up of contrasts. She is elfin, tiny, vulnerable, with vast eyes; and yet she is forthright, living intensely in the moment, with an inquiring little nose that is a vital part of her profile, and an eager stance whereby her weight rests keenly on her toes. This mix of opposites is why she was so heartcatching as Thomasina when Stoppard's *Arcadia* was new; and no less so in Jonathan Kent's *School for Wives* at the Almeida.

She is heartcatching again in *Twelfth Night*. Her voice is deep, strong, firm (though she does not always enter words cleanly enough), until in an instant some new thought renders it high, clear, light. This sudden illumination from within is what makes Olivia lose her heart; when in male disguise Viola tells her that she/he would "call upon my soul within the house… And make the babbling gossip of the air/ Cry out 'Olivia!'" And it is what halts Orsino and confuses him when Viola/Cesario tells him that the history of her father's daughter is "A blank, my lord. She never told her love…"

She is surrounded here by a fine cast, but I am in two minds about the production that frames them. Ian Judge, the director, tells the play's story surely and briskly. Sometimes he is alert to its affecting shadows: the way we see both Viola *and* her brother Sebastian is potent, as *is* the moment of their final reunion. Sometimes, however, he treats it like the merest artificial farce. Tha funereal cypress shadows of the text are absent. And erotic affliction, which so possesses Orsino, Viola and Olivia, is never serious.

Smiling charm abounds. The ending and the curtain-calls are as sweetly neat as a chocolate box. John Gunter's Elizabethan scenery is pretty but needlessly symmetrical and boxy: a tourist view of Olde England. And though Nigel Hess has written some fair songs, the taped muzak that he has provided at regular intervals makes *Twelfth Night* feel like a MGM musical.

That it keeps turning back into a beautiful play, both robust and tender, is largely due to a superb cast. Desmond Barrit's Malvolio, a sour Welsh Frankie Howerd of unusual force, is a triumph of comic self-importance. Liverishly he fantasises about the day-bed "where I have left Olivia" (pause, then, with lascivious delicacy) "sleeping". Bitterly he sobs out "I thank my stars I am happy". Tony Britton makes a touchingly noble Sir Toby Belch. The way he gently plants a line like "She is a beagle" into the still air has the true *Twelfth Night* magic.

There are excellent moments too from other players, notably Haydn Gwynne's elegant and eloquent Olivia. But the production lets her dwindle into an ignoble silly, and it never lets Bille Brown's Andrew Aguecheek grow from his hilariously absurd beginning into a three-dimensional study of perpetually feckless adolescence. Clive Wood is a commanding Orsino, both virile and narcissistic; but I never believed that either love or music had overwhelmed his senses. As Feste, Derek Griffiths projects his songs clearly; but his voice is far from mellifluous, and his manner the least charming onstage.

I have the same mixed feelings about Ian Judge's *Love Labour's Lost*, currently at the Barbican. Truly mixed. In *Twelfth Night*, I love the way that, in the final scene, he suddenly beclouds the farce with Malvolio's fury. Then, after Barrit has hissed "I'll be revenged on the whole pack of you," the way he wipes an long strand of hair back across his bald pate returns us, ideally, to comedy in an instant.

Just as fine are the thunder and lightning at the end, and the way Maria turns Feste out of doors – where he sings to us of "the wind and the rain". If Judge can build his understanding of these glorious moments into the whole fabric of a play, then he will be a great director of Shakespeare comedy. Right now he is a very good one who is sometimes not good enough.

In repertory at the Royal Shakespeare Theatre, Stratford-upon-Avon

Virile and captivating: Clive Wood and Emma Fielding as Orsino and Viola in Ian Judge's new production

User-friendly 'Pygmalion'

George Barnard Shaw's line "Walk? Not *bloody* likely" stopped the original performance of *Pygmalion* for a full minute at His Majesty's Theatre in April 1914: shocked silence, then guffaws. But the stalwart Herbert Tree and the delicious Mrs Patrick Campbell promptly lost control of the last two acts. Shaw fled home to read Shakespeare to avoid the final curtain and the cries of "Author! Author!"

There are no such high moments in Patrick Garland's production at the Chichester Festival Theatre. But there are no low ones either. Chichester's first *Pygmalion* is like reliable TV costume sitcom: speech therapist finds and treats a patient; their life together *and* apart is intolerable; she outgrows him as they fall in love – or do they? Garland offers the sombre ending. Higgins realises he has blown his chances with Eliza by making her hate more than need him.

This is the best English play to distinguish between manners (how you treat others) and etiquette (how you behave in social circles). Shaw reacted against the Victorian phonetics and elocution movement, and also against the etiquette guides designed to make the middle classes more genteel. Eliza is a woman refined out of her class.

The design and costumes (Dierdre Clancy) have a solid air: pre-war styles and a fina arts and crafts interior for Mrs Higgins' Chelsea flat make the characters believable, even if the set is cumbersome. The background to Higgins' phonetic interests features in the voiceovers which cover the lengthy scene changes.

Peter Bowles' perky performance as Higgins starts off at a ripping pace, stuffing wax rolls into the phonograph, twirling his glasses, savouring the situation at every turn: "she's so daliciously low." Bowles is a good TV actor, master of the quiet shrug. But the space on the Chichester stage draws expansive gestures from him, like a doubles player cajoled into a lonely singles match – in fact, *the* quintessential Bowles gesture is a topspin backhand which starts by his left hip and finishes above his right shoulder. Since this denotes for him everything from triumph to disaster, he can now play Wimbledon as well as Chichester.

Fiona Fullerton as Eliza goes boldly into received pronunciation with wit and verve, shedding her giveaway vowels for a takeaway manner. Her excellent performance tempers Eliza's dependency with distaste, but never too much to rule out Higgins as a partner. She carries the serious message of the play into the last two acts. And she *is* walking out on Higgins at the end.

Around the two principals, Freddie Jones as Doolittle, the "undeserving pauper", is a feast of chopped logic and handles his scenes well enough to be unpredictable. Dulcie Gray as Higgins' mother develops the over-filial relation with Higgins and presides in tha "At Homes" with aplomb. Michael Denison as Higgins' pal, Pickering, gives firm but bewildered support, not least because the staging still needs to be streamlined so the actors can talk to each other *and* the audience.

Andrew St George

In repertory at the Chichester Festival Theatre until July 14.

Dance/Sophie Constanti

Edward Lam Company

At two hours and fifteen minutes (no interval), Edward Lam's *Scenes from a Men's Changing Room* outstays its welcome to the point where, amid a background of rumbling stomachs, creaking seats and much indiscreet glancing at wristwatches, it induces a steady exodus of people who, most probably, will never again subject themselves to the Lam experience. A pity, because there is much to admire and enjoy in the work of this Hong Kong-born, but now London-based, Chinese director and choreographer.

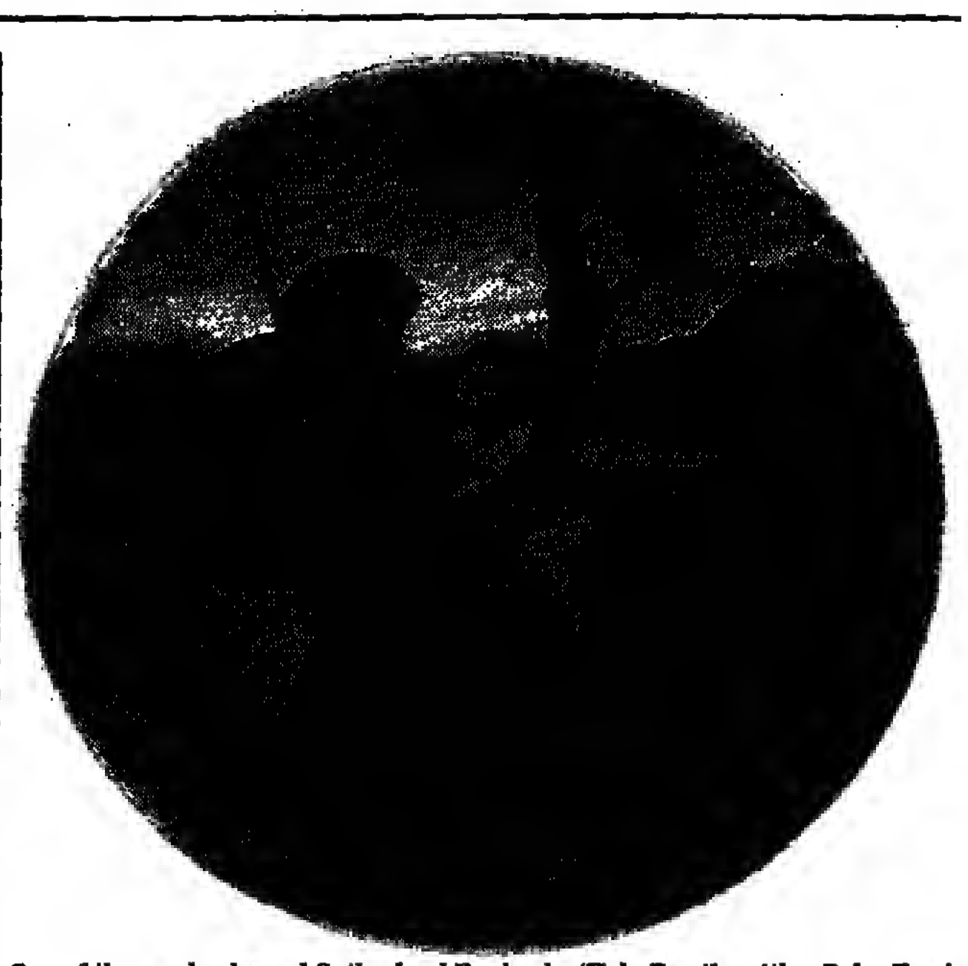
Scenes from a Men's Changing Room, part of the Barclays New Stages season at The Royal Court, was first created in 1991 for Lam's Hong Kong company. But like an earlier work entitled *How to Love a Man Who Doesn't Love Me*, it has been substantially reworked for a mainly British cast.

Originally inspired by Lam's observations of gay men in the changing rooms, clubs and saunas of Europe – and by his own experience of these sexually-charged meeting places – *Scenes from a Men's Changing Room* is now set on a blank, open stage. Here, the eight performers (all men) use minimal props to suggest a catalogue of settings – a cafe, cinema, hospital – but it is through the patterns and intensity of their physical actions that we begin to recognise a variety of social situations and the environments in which they are taking place.

Eschewing linear narrative for a chain of interactive but independent episodes, Lam presents his audience with an uncompromisingly stripped-back, bare-boned style of theatre, its focus lodged not in real time but in the fast-slow, stop-start frames of a collection of open-ended encounters. These range from the profoundly nightmarish – one man trying to suffocate another by tightening a towel around his head and face; another man overcome by a mixture of alarm and disgust as he dabs at his body's excretory orifices – to the sweetly amusing: a brief, trousers-down, après-shower towel dance for a single man, this demure, but naughty routine later repeated by the antire group; three men arranging their hair in pigtails and behaving like giggly schoolgirls, leading into a wonderfully energetic parody of *Charlie's Angels*.

But Lam also gives us scenes in which sinister events are blended with an uneasy humour, as when one man fornicates with another – both are fully dressed and completely expressionless – across the stage. *Scenes* is an elegant dissection of fear and guilt, need and rejection. Lam entertains us as generously as he seeks to disturb, but his brand of sparse yet epic theatre gradually loses its power to do either of these things as the evening wears on.

Edward Lam Company is at the Green Room, Manchester on June 10 and 11.



One of the newly cleaned Sutherland Raphaels: 'Holy Family with a Palm Tree'

Raphael's women, work and legacy

Patricia Morison reviews the exhibition at the National Gallery of Scotland

The women Raphael painted, it was observed long ago, were either his mistress or mothers. On a casual look it is the Virgin Mary, image of ideal motherhood, who dominates *Raphael: The Pursuit of Perfection* at the National Gallery of Scotland. This scholarly yet accessible exhibition explores Raphael's creative process through paintings and drawings. It also shows how fully he lived up to the moral ideal for a Renaissance painter of passing on knowledge and skill to younger men.

What is by Raphael, and what by Gianfrancesco Penni, Giulio Romano, or "the workshop"? Numerous works in the exhibition raise these questions, especially the later drawings of figures in the Loggia di Psyche in the Villa Farnesina. Here, among the nude studies, may well be Raphael's mistress, if the story is true that the only way he could be kept on the job was if his mistress stayed. But are the drawings by her admiring lover, or by assistants eagerly copying their master's wonderful way with the female form?

At the heart of the exhibition are the three Madonnas on loan from the Duke of Sutherland: the "Holy Family with a Palm Tree"; the "Bridgewater Madonna"; and the "Madonna of the Passeggio". All the preparatory drawings have been brought together from collections across Europe. Also on show is the "Madonna of the Pinks", the Duke of Northumberland's little masterpiece which has only recently recovered art-historical respectability as being truly by Raphael.

The Sutherland Raphaels are newly cleaned and conserved. The scientists' scrutiny has unearthed curious things. It seems clear that Raphael had no direct hand in the "Madonna of the Passeggio", long suspected as being by a talented assistant, perhaps Penni. The composition is anyway less attractiva than the other threa Raphaals; St Josaph looks strangely farouche, staring back from behind a bush at his wife and child who are being humbly greeted by little St John the Baptist.

There is no discomfort in knowing thet the Virgin of the lovely "Bridgewater Madonna" was at first placed in a flowery meadow, until Raphael enclosed her in a room without a view. However, it can be distinctly unsettling to discover things which an artist never meant us to know. A case in point is "Holy Family with the Palm Tree".

In this lovely tondo St Joseph gives Jesus a handful of flowers, watched intently by Mary who so often has eyes only for her baby. This St Joseph looks younger than normal, thanks to his thick grey curls. The X-ray suggests that he was originally bald and that the top-knot was added later – presumably by Raphael. But why did he add it, and to please whom? This trichological riddle detracts from enjoyment of the picture and is one insight into Raphael's creative process I could have done without.

Among the unexpected things in the exhibition is "Mercury Bearing Psyche to Olympus", an air-borne confection of figures from the Loggia di Psyche by Rubens from the Duke of Sutherland's private collection. And how lovely to find again an enchanting drawing from Chatsworth, recently shown in London. It shows an ordinary mother holding a fidgety child firmly around the middle while she reads aloud.

It was a boldly unconventional move to use late copies to flesh out Raphael's oeuvre. They hang in an anteroom, homage from an age when Raphael was often talked about as quasi-divine. The copy of the Madrid "Madonna of the Fish" is by an restorer called Bonnemaison, alleged by Jacques Louis David to have scrubbed Raphael altarpieces with turpentine. Anyone who regrets the modern cleaning of the "Transfiguration" can compare it with the sombre hues faithfully rendered in the 1820s by one Grigor Urquhart of Inverness.

Inevitably, the exhibition conjures up the spectre of absence. Since 1946, the three Raphaels have been in the gallery as part of the Ellesmere, now Sutherland, loan. The Sixth Duke is now 79; to lose the loan would be a devastating blow to the NGS and, if it went overseas, to Britain's national heritage. The Sutherland pictures are exempt from inheritance tax while they are on public view. A private treaty sale would therefore avoid the demand for payment of inheritance tax exempted in the past. If this were allowed to happen, with an annual acquisition budget of only £1.2m the NGS would be in a hopeless position to secure the paintings.

The Raphael exhibition highlights the uncertainty hanging over the residue of one of the greatest private art collections ever formed in Britain. As early as 1806, an ancestor of the present duke allowed the public to visit the huge collection at his London residence on St James's Square. For close on two centuries, then, these great paintings have been in the public eye, giving untold pleasure. Who can predict whether the same will be true a century from now?

Sponsored by Dundas & Wilson CS; until July 10 (031-556-8921).

INTERNATIONAL ARTS GUIDE

ART AT WOLFSBURG

Art and car-manufacturing may be unlikely bedfellows, but they come together tomorrow at the opening of a new museum at Wolfsburg, the town in Lower Saxony which is home to Volkswagen.

Founded in 1938 as a model industrial town under National Socialism, Wolfsburg earned a reputation in the postwar era as one of the Gastarbeiter capitals of West Germany. Now its image appears to be changing. Its location near the former border with East Germany gives it a strong geographical position on the post-Communist map of Europe. And the new Kunstmuseum follows the best traditions of industrial patronage of the arts.

The museum was proposed in 1987 by the former president of Volkswagen, Carl Hahn, after the establishment of the Volkswagen Art Foundation - a private trust derived from the fortune which a Munich couple, Christian and Asta Holler, built from shares in the Volkswagen Insurance Service. The Foundation has footed the DM70m (£28.2m) cost of building the Kunstmuseum, and will also pay its running costs. The museum has three aims - to establish in Wolfsburg a collection of international contemporary art, to encourage the cultural education of the local and wider community, and to promote exhibitions of international appeal.

The opening exhibition, devised with the help of the Basle Kunstmuseum, is devoted to the early work of Fernand Léger, covering the Cubist, mechanical and early Classical phases of his career from 1911 to 1924. More than 70 oils and a dozen works on paper are supplemented by examples of his work as a designer for the Ballets Suédois and his contribution to experimental film. The significance of the exhibition lies in the way it acknowledges the contribution of technology to 20th century society - an appropriate choice for the new museum, which has been described as one of the most technologically advanced in Europe.

The Léger show, which runs till August 14, is supplemented by items from the museum's already impressive collection of contemporary art.

■ EXHIBITIONS GUIDE

AMSTERDAM
Rijksmuseum Flowers and Plants: a survey of flora and fauna in five centuries of prints and drawings. Ends July 31. Closed Mon
BARCELONA
Museu Picasso The Russian Avant-Garde 1905-25. Ends June 26. Closed Mon (Carrer Montcada 15-19)
BERLIN
Museum für Indische Kunst Lost Empire of the Silk Road: a remarkable collection of 87 well-preserved pieces of Buddhist art from the tenth to 13th centuries. Ends July 3. Closed Mon
Haus der Kulturen der Welt Tanzania: masterworks of African sculpture. Ends Aug 7. Closed Mon
BONN
Kunst- und Ausstellungshalle The Century of the Avant-Garde in Central and Eastern Europe: a panoramic survey of 20th century art in eastern Europe, with around 700 works by 200 painters and sculptors, supported by references to architecture, photography, film, literature and music. Laid out chronologically, the exhibition begins with the Symbolism and early Abstraction of Kandinsky and his contemporaries, and ranges through Cubism, Constructivism and Surrealism to the role of Jewish artists, the impact of Socialist Realism and the work of contemporary figures like Christo and Kabokov. Ends Oct 16. Closed Mon
Galerie der Friedrich Ebert Stiftung Oskar Kokoschka: drawings and prints. Ends June 10. Closed Sat and Sun
CHICAGO
Art Institute John James Audubon: 90 large-scale watercolours which America's legendary naturalist artist used as the basis for his Birds of America print series. Ends July 17. Italian Sculpture from the Gilgore Collection: 30 works dating from 1860 to 1920, including naturalist sculptures by Vincenzo Gemito and visionary pieces by Medardo Rosso. Ends Aug 14. Daily
COLOGNE
Museum Ludwig The Unknown Modigliani: 240 of the 440 hitherto unknown drawings amassed by Paul Alexandre before 1914. Ends July 10. Closed Mon
DIJON
Musée Magnin Sculptors' Designs 1850-1950: a survey of developments in sculptural art from Daumier, Degas and Rodin to Giacometti and Picasso. Ends Sep 11. Closed Mon
DUSSELDORF
Hetjens-Museum Ceramic Works of Picasso, Miro and Tapies: around 90 works by three major Catalan artists of the 20th century, ranging from Picasso's decorative owls and figurines to Tapies' massive sculptures. Ends Aug 28. Closed Mon
FRANKFURT
Deutsches Architekturmuseum Modern Architecture in Germany 1900-1950: Expressionism and the Neue Sachlichkeit. Ends July 3. Closed Mon
Schirn Kunsthalle Goethe and Art. Ends Aug 7. Daily
LONDON
Royal Academy of Arts Goya: 100 small-scale paintings. Ends June 12. Daily (advance booking 071-396 4555)
Victoria and Albert Museum A new Glass Gallery has been opened to display over 6000 objects, illustrating the history and development of glass over the past four millenia. Daily
LYON
Musée des Beaux-Arts The Romantic Movement in France: paintings, sculptures, drawings and engravings from the museum's own rich collection of works by Charlet, Delacroix and others. Ends June 19. Closed Mon and Tues
MADRID
Centro de Arte Reina Sofia Lucian Freud: paintings, drawings and etchings celebrating the recent achievements of Britain's greatest living realist painter. Ends June 13. Closed Tues
NEW YORK
Metropolitan Museum of Art Petrus Christus: 22 paintings by the 15th century Netherlandish master, renowned for the jewel-like luminosity of his work. Ends July 31. American Impressionism and Realism 1885-1915. Ends July 24. The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. Closed Mon
Museum of Modern Art American Surrealist Photography: 45 works from the period 1930-1955. Ends July 5. Closed Wed
Frick Collection Renaissance Portrait Medals: more than 200 of the most beautiful and important medals from Germany, Italy, France and the Netherlands. Ends Aug 22
PARIS
Grand Palais The Origins of Impressionism 1859-69. Ends Aug 8. Closed Tues
Musée d'Art Moderne de la Ville de Paris Dutch Art of the 20th Century: the first part traces developments from Van Gogh to Mondrian, while the second focuses on ten contemporary artists. Ends July 17. Closed Mon (11 ave du President Wilson)
Hôtel de Ville Nicolas de Stael: 70 paintings and 40 drawings by the Russian-born, French-trained painter who committed suicide in 1955. Ends June 19. Closed Mon (Salle Saint-Jean, 3 rue de Lobau)
● Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles.
ROME
Palazzo delle Esposizioni Dada - The Art of Negation: more than 300 works from public and private collections, showing how this ironic, nihilistic and iconoclastic movement spread from its birthplace in Zurich in 1916 to New York, Berlin, Paris, Barcelona and Rome, and how it adapted to the political atmosphere of each city - playful in France, somewhat aggressive in Berlin and Rome. The show includes Duchamps' ready-made urinal and Man Ray's spiked-iron Cadeau, but is otherwise overloaded with graphic works and lacks tha sculptural jeux d'esprit typical of Dadaism, making it uncharacteristically solemn. Ends June 30. Richard Long: eight installations by the British artist, all prepared or created on site. Ends June 30. Closed Mon
STUTTGART
Staatsgalerie Picasso: a rare showing of 400 prints from a private collection, including portraits, still-lifes and many other themes. Ends August 14. Closed Mon
Linden-Museum Art of the Aborigines: 90 wood paintings, 40 sculptures and an installation, mainly by contemporary Australian artists. Ends Sep 25. Closed Mon
VIENNA
Jüdisches Museum Chagall's Russian Years: 50 oil paintings, watercolours and drawings from the period 1908-20. Ends June 12. Closed Sat
Museum des 20. Jahrhunderts Picasso: 180 paintings, drawings, collages, bronzes and ceramics from the Ludwig collection. Ends June 19. Closed Mon
Museum für angewandte Kunst Tyranny of Beauty: a study of the wedding-cake architectural style of Stalin's era and the reconstruction of Moscow. Ends July 17. Closed Mon
Kunsthalle Rebecca Horn (b1944): retrospective of the German artist, concentrating on her sculptural work from the past decade. Ends Aug 7. Closed Tues
WASHINGTON
National Gallery of Art Willem de Kooning's Paintings: 75 works by America's influential abstract expressionist. Ends Sep 5. From Minimal to Conceptual Art - Works from the Vogel Collection: 90 drawings, photographs, paintings and sculpture by contemporary artists, including Sol LeWitt's transitory wall drawings, John Cage's musical sketches, Christo's wrapped objects and examples of work by Ryman, Beuys, Flavin and others. Ends Nov 27. One of the jewels of the permanent collection, Jan van Eyck's Annunciation, has returned to public view after a two-year restoration. Daily

Putting their house in order

Judy Dempsey on plans to solve east German property disputes

After three years of bitter wrangling and court actions, Germany's Bundestag, the lower house of parliament, has agreed measures to compensate former property owners in east Germany.

Approval by the Bundesrat, the upper house, could pave the way for speedier investment in the east, which has been held up by unresolved questions over property rights.

Under the terms of the unification treaty of 1990, those whose property was confiscated by the Nazis between 1933 and 1945 or by the Communists between 1949 and 1990 are entitled to restitution or compensation. The law caused havoc. Many east Germans who thought they had legally acquired their homes after the establishment of the former German Democratic Republic in 1949 were faced with former owners returning and, in some cases, avicting them. Those claimants who did not want their property back could seek compensation. Yet for more than three years, the government has been unable to agree on the levels of payment.

Under the new measures, individuals would be entitled to compensation based on the value of the property (including houses, shops, farmland) in 1935. The figure would be multiplied several times, depending on whether the property in question is simply land, or includes housing or a business. In addition, compensation would be issued in the form of government bonds, not redeemable until 2004.

"Dispossesaed" property owners may complain that the level of payment neither reflects the current market value of the property, nor compensates for the amount of income lost over the past 55 years. But their complaints pale when compared with those of the "'45-49ers".

The "'45-49ers" comprise property owners whose land was expropriated by the Soviet authorities which, between 1945 and 1949, administered east Germany. Many belonged to the Prussian aristocracy and supported Hitler during the second world war. Others, however, joined the German resistance movement. As the Russians consolidated their grip on the east, many were either sent to prison camps, given two days to leave their homes, or banned from within 14 miles of their property. Most of the 14,000 families which were forced to flee settled in west Germany. Their land was divided and parcelled out to Germans escaping from Poland and other east European countries.

In a reunited Germany several hundred families now want to come back. But under the terms of the unification treaty, they have neither the right to compensation nor restitution.

The West German government, along with Mr Hans Modrow, east Germany's last Communist party leader, and Mr Lothar de Maizière, its last prime minister, refused any right of return or compensation for those dispossessed between 1945 and 1949. They claimed in the Constitutional Court in April 1991 that the price of Soviet agreement to German unification was Bonn's unquestioning acceptance of Moscow's '45-49 administration of east Germany, including its expropriation policy.

This claim is challenged by former east German property owners. "There is simply no evidence of these preconditions [to unification]," said Mr Albrecht Wendenberg, who is trying to regain his property in the eastern state of Saxony-Anhalt. The land his family owned is being sold by the Treuhand privatisation agency.

He is not alone in criticising the government's stance. There is growing opposition from former landowners in east Germany, many of whom support Chancellor Helmut Kohl's governing Christian Democratic Union. The proposed measures may go some way towards meeting their objectives because they may win the right to buy back a small percentage of their property. But they will only be allowed to buy back 12 acres out of every 40, for example, or 60 acres out of every 500. As the acreage rises, the percentage of land for purchase shrinks.

Mr Mortimer von Maltzahn, whose family had owned estates in Mecklenburg, the northarn state of east Germany, since the 14th century, has spent DM4.3m (£1.72m) buying back 100 acres of his 7,000-acre estate and repairing his Schloss, or manor. He had to promise the local council that in return for getting back the family's private church, he would repair the delapidated building at his own expense.

Some have formed limited companies, enabling them to buy back some of their own land from the Treuhand, provided they invest in the region. Others have obtained 12-year leases from the Treuhand in the hope they will have the option to buy after the lease expires.

Some families say the compensation proposals continue to treat property owners unequally before the law. Ms Anna-Tatiana Bauer said her family does not even have the right to reclaim the family church, or the graveyard. "It is truly a disgrace," she said.

But the "'45-49ers" cannot count on public support. The government cannot afford to compensate them for the loss of their property. Critics oppose the return of the "Junker" landowners, as they are pejoratively known. They argue that their passivity allowed the rise of Hitler. East Germans generally want nothing to do with them because ideological indoctrination has taught them that every Junker is a feudal aristocrat or a Nazi supporter.

Ironically, it is the far-right Republican party in east Germany which is playing the "Junker card" in the run-up to the local, state and fedaral elections. Mr Lothar Bisky, the head of the aocial-democratic Party of Democratic Socialists, the successor to the former east German Communist party, says it would be dangerous to ignore their actions.

In towns throughout Mecklenburg and Brandenburg, and in Berlin, the Republicans are dropping leaflets. Their message is clear. They tell east Germans that their property is threatened and could fall into the hands of west Germans. The Republicans are opposed to any restitution and the return of former property owners, blaming unification for this trend. A recent leaflet proclaimed: "The Republicans are patriotic. We are the only patriotic and social German party which stands for full solidarity of the east Germans and the protection of their property."

"We don't know how hig their support is," said Mr Bisky. "But property rights is one of the planks of their platform. I am afraid of them, because I feel we have completely messed up the whole question of compensation and restitution. But it is too late to redress the mistakes of unification."

Joe Rogaly

Throw the rascals out

The world will probably seem pretty gloomy to the government a fortnight from now. Pause s moment, while wa rub our hands in glee. The big day is Friday June 10. The Tories expect to wake up on that morning to news of the loss of their formerly safe seat of Eastleigh to tha Liberal Democrats. Better yet, they may find that their candidate, their sacrificial lamb, has been beaten into third place behind Labour. The weekend papers will be full of talk about alternative leaders of the Labour party, perhaps spiced by musings on the future of the prime minister.

The results of the elections to the European Parliament will follow. We will see the great match taking shape: a revived opposition vs s flagging govarnment. It may become harder than ever to believe that the Conservatives can recover sufficient support to win a fifth general election, even in the nearly three years still svailable to them.

Good. They desarve to be thrashed. I say this in the electoral rather than the Singaporean sense, you understand. Those of us who doubt the efficacy of corporal punishment should not change our principles, not even in the case of Mr John Patten, the education secretary. Mr Patteo'a ssnse of honour may be measured by his retailing earlier this week of what he said was said to him in a private conversation in a railway carriage. So much for the gentleman who preaches to the nation'a children aboot moral standards. This is the kind of thing that gives hypocrisy a bad name.

It is not, however, a reason for encouraging the Conservatives to leave office. If the bad manners of one particular minister were the problem, the solution would be *simple*. The case for throwing *all* the rascals out is more complicated. To appreciate it, step back a bit. After 1979 the government of the then Mrs Margaret Thatcher undid much of the damage wrought by the Labour administration that preceded it. She vanquished the trade unions, initiated the rolling privatisation of industry, and taught us that simple bookkeeping is a necessary skill in all walks of life and all institutions. Her successor has curbed inflation, maintained Britain's position at the Maastricht negotiations on the European Union, and established rapport with Dublin on the futnre of Northern Ireland.

These achievements, among others, deserva recognition. The balance of advantage has, however, turned. Today the prime minister is struggling to manage an unruly coalition of what should be separate parties. The government is unable to do very much, beyond blather. It promises a green paper on this and lists existing policies in s white paper on that. Here a charter, there an inquiry, everywhere a working party. It is a ministry of paper initiatives, a taxpayer-financed agency for self-advertisement. Civil servants are unwilling to propose very much, and determined not to write down what they do discuse. The urge to further radicalism may be genuine, but the performance is disappointing.

Ministers spend too much of their time dishing out money and jobs to favoured individuals, companies or organisations

If that were all, there would be little cause for complaint. The government could be said to be in a state of do-nothing equilibrium, a minimalist's ideal. Sadly, that is not all. "Do-nothing" is often a harmful choice. Do-something can be worse. Local government has been hobbled. The behaviour of parliamentarians has brought political life into disrepute. Ministers spend too much of their time dishing out money and jobs to favoured individuals, companies or organisations. Fifteen years of continuous office has resulted in the creation of a patronage state, as described in a report* published on Monday by a pair of pressure groups, Charter 88 and Democratic Audit.

The report suggests that there is now one executive quango for every 10,000 population, and that these hodlea are responsible for nearly a third of total public spending. It may be right, if not precisely so. Let us halve the authors' figures to eliminata any chance of exaggeration. Tha picture that remains is startling. Britain is replete with opportunities for patronage, secretive deal-making and good old fashioned corruption. We do not need a democratic audit to prove this. Observe. There is the health secretary, arms outstretched, guarding every health service trust from public scrutiny, arousing suspicion by the zealousness with which she defends the secrets of these spenders of our money.

The Conservatives have torn the heart out of the unwritten British constitution. The democratic checks on executive power have been replaced in the name of customer choice. What the latter phrase often means is placemen's self-preservation. The irony is that the latest evidence of this comes in a week when all three national parties have published manifestos for the elections to the European Parliament. Labour and the Liberal Democrats balance their views on possible reforms of EU institutions with programmes for the restoration of civic life in Britain. Both summarise their proposals for domestic constitutional reform in their Europe manifestos.

Not the Tories. They will have none of it. They talk as if snbsidiarity stops st Calais. They cannot win elections to town halls, so they emasculate local aothoritles. They are rejected by the Scots, but will not look at Scottish self-government. "A separate Scotland would be relegated to the lower divisions of Europe," says their manifesto.

This refusal to contemplate any improvement in our constitutional arrangements applies to all areas of public life. They shy away from reform of the House of Lords, although individual Tory peers are more sensible than that. Simple improvements to House of Commons procedure make little headway. Several suggestions of reform of the way bills are prepared have been made; noue accepted. Tha consequence is that more legislation is made in amendments than in initial bills.

Conservatives need to think these matters through. They have run the country as if they were in office forevar. They govern by ever-increasing centripetal force. Finding out what an unscrupulous administration of a different political colour could do with the powers ministers have accumulated for themselves would teach them a lesson, at our expense. We must hope that Labour, which is still an unappetising alternative, makes itself electable before we have to choose.

**Ego trip, £9.95, from 3-11 Pine Street, London EC1R 0JH*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Cost of executive share options should be assessed on issue

From Dr Mike Staunton.

Sir, Your statement that "options defy precise valuation" ("One option they don't want", May 25) sits uneasily with the rather precise valuations of London's financial futures and options exchange (Liffe) Equity Options printed each day in another part of your newspaper. The Black-Scholes option valuation model has been used for more than 20 years, and can easily be programmed into a pocket calculator or a simple spreadsheet.

The only element that makes executive share options so difficult to value is the lack of information regarding the option exercise price, maturity date and current share price when issued. This means attention is now focused instead on the information revealed when options are exercised (the large payouts seeo in the cases of BAe and LWT).

Were quoted companies required to provide sufficient information to allow executive share options to be valoed when issued, the cost of granting such options would then be clear to shareholders.

Mike Staunton,
138 Regents Park Road,
London NW1 8XL

From Mr David Rhoads.

Sir, Andrew Jack's article on US efforts to regulate executive compensation provides a resounding wake-up call for UK companies.

Based on the US experience, unanswered calls for the self-regulation of executive pay invites far more onerous steps by regulators; for example, poor disclosure practices led the Securities and Exchange Commission (SEC) to require quoted companies to present extensive data for the highest-paid executives. Meanwhile, a perceived lack of connection between executive pay and performance prompted the Clinton administration to eliminate the tax deductibility of "non-performance based" pay in excess of $1m for top executives of quoted companies. Finally, a history of inadequate share scheme disclosure contributed to the US Financial Accounting Standards Board's current efforts to impose an earnings charge for executive share options. In the UK steps by the Accounting Standards Board and statements by the Association of British Insurers/National Association of Pension Funds are mild by comparison.

Self-regulation through tha voluntary enhancement of pay disclosure represents an attractive way to diffuse growing regulatory pressures. Subjecting pay practices to "the light of day" does wonders to limit abuse. In addition, we have found that shareholders react favourably to the disclosure of well-designed, performance-based executive pay schemes. Finally, an earnings charge for ahare options is a bad idea. Share prices already incorporate expectations concerning executive ahare option awards.

David Rhoads,
managing director,
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Confucius reigns in Taiwan

From Mr Charles Edmond.

Sir, In "Changing cultures of capitalism" (May 23), Samuel Brittan endorses the assertion that "few Taiwanese entrepreneurs are steeped in the Confucian classics".

I beg to differ. On my first day of company visits in Taiwan, as a member of a party of foreign investors, I met the chairman of Tatung Co – one of Taiwan's largest and most progressive corporations. He opened the proceedings by presenting each of us with a copy of the *Analects of Confucius* – with each tract set out in English and Japanese as wall as the original Chinese. This was presented as the best introdnction on how to conduct business in Taiwan. It has certainly been invaluahle to me in providing insights into economic life in Taipei. Tatung also endowa its own high school and university.

Many local investment analysts and economists – whose London counterparts have heen termed "teenage scribhlers" – have impressed me with their knowledge of the *Analects*.

Charles Edmond,
adviser,
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Latvia an equally good role model

From Mr Maris Ozols.

Sir, Professor Steve Hanke's unqualified praise of Estonia'a economic reforms (Letters, May 23) and his exhortations that they be used as a model for Russia, cannot be left without comment.

Latvia, Estonia's neighbour has adopted a contrary approach with regard to the stability of its currency. The Lat is free floating, its value having been set (as was its predecessor's, the Latvian rouble) by the supply of Lats and western currency. For more than a year now, the Lat has appreciated against western currencies because of an oversupply of dollars. At the same time, Latvia has achieved the lowest inflation in the Baltics (34.2 per cent, March 1993-March 1994). Conversely, Estonia's inflation rate for March 1994 jumped to 8.9 per cent, higher even than Russia's.

As for the Estonian policy of shadowing another currency, Nigel Lawson, as UK chancellor, made the mistake of also shadowing the D-Mark for too long and when Britain joined the ERM, after a strained period, the pound received its come-uppance on Black Wednesday.

The Estonian economy is the most successful of the former Soviet republics but, similarly to Latvia at present, it is suffering from an overvalued currency leading to difficulties with exporting and an increase in imports. In Latvia's case, when it comes to paying for imports, payment will be in western currency, the purchase of which will tend to lower the exchange rate for the Lat. Estonia, with its fixed rate, will have less room for manoeuvre.

As can be seen then, there is more than one way to skin a cat and Estonia'a way will not necessarily bear fruit for Mr Viktor Chernomyrdin and Russia. One should not forget, either, that both Estonia and Latvia's decisions to convert to their own currencies were frowned npon by the International Monetary Fund at the time but the Balts proved that even holy cows can be wrong. If Russia has enough confidence in its own policies, it should do whatever it thinks is right and turn s blind eye to the critics.

Maris Ozols,
(Rigo Bureau Chief, Baltic Independent, March 1983-Jan 1994),
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CAP fraud is too costly to pursue

From Mr Anthony Rosen.

Sir, Like your correspondent Peter Marsh (European News Digest, May 25) I, too, beard the House of Lords European communities committee question Mr Jo Carey, former president of the European Court of Auditors.

It was all too clear that the noble Lords do not yet understand the two main reasons for the escalating Commoo Agricultural Policy frauds.

First, fraud becomes ever easier given the lax controls, exacerbated by the May 1992 McSharry (so-called) reforms which have now brought fraud "down to the farm".

But second, and dominantly, there is no incentive for any European government to expose fraud by its own nationals. The present EU rules mean that npon exposure of tha fraud the government concerned has to make full reparation to the EU and then try and reclaim this from the fraudster. Politicians are thus content to believe that CAP fraud amounts to "only" £150m rather than the actual £6bn as estimated by Mr Carey's successor as court president.

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Big companies do pay up

From Mr David Heppenstall.

Sir, I refer to the problem of late payments to UK companies. I am financial director of a medium-sized business, and I have also worked in credit control in large and small companies.

My experience is that the perception thet it is large well-established organisations which hold back payments to small business is by and large mistaken. This makes good press. But the problem is usually one of the slow-paying smaller customer, sometimes operating on the margins of solvency. This being the case, I am sceptical that much would be achieved by legislation.

Reasonably prompt and regular payment can normally be expected from the large customer, providing its invoicing requirements are followed. It is in this area that the small business, having less skilled office staff and without the help of a computer system, is often deficient.

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India's rupee dilemma

India is caught in what has become a familiar dilemma for liberalising developing countries. An unexpected inflow of foreign capital is making it difficult to hold down the exchange rate. The choice in the short term lies between resurgent inflation and curtailment of fragile export success. So far, the government has, in effect, chosen to risk the inflation. It must find a better solution.

In the financial year ending March 1994, India received some $4bn in portfolio capital, along with $600m in foreign direct investment. It also registered a small current account surplus, partly because the value of exports rose 21 per cent in US dollars and partly because imports stagnated. The inflow helped produce an increase of $8.7bn in foreign exchange reserves, as the authorities struggled to keep the rupee at 31 to the US dollar.

For a country that recently stood on the brink of default, increased foreign exchange reserves are welcome, but not in excess. Monetary growth has risen from a recent low of 5 per cent in the year to May 1993, to 18 per cent in the year to January 1994. This has helped raise inflation to the unpopular rate of 11 per cent.

Holding down the exchange rate through foreign exchange intervention can only be a temporary expedient. Unless the monetary effects are sterilised, the real exchange rate will appreciate through inflation, rather than through upward adjustment of the nominal value of the rupee. There can be no enduring advantage in that, particularly given the damage done by inflation in India.

Imports increase

The dilemma might vanish spontaneously. But provided reforms continue, this is unlikely to result from rapid dwindling of the capital inflow itself. Much more desirable would be a substantial increase in imports, as economic growth accelerates. Faster growth of industrial output was already observable by late-1993. This should continue. Nevertheless, the ministry of finance expects the current account deficit this financial year to be only US $1bn-$2bn, insufficient to offset a capital inflow like last year's.

Efforts could be made to lower the attractiveness of the capital inflows. One possibility is to reduce the return on deposits by non-residents; another is to restrict the access of Indian companies to foreign capital; yet another would be to restrict inflows of foreign portfolio capital.

All such measures would be undesirable. India's potential as a destination for foreign capital has, after all, barely been scratched. Vast and poor, India needs to find ways of using such capital. This is particularly true of foreign direct investment, actively encouraged by the prime minister himself earlier this week.

Faster reduction

If the inflows were neither to cease spontaneously nor be stopped, attempts could be made to curb their effects. One option, currently being tried, is to curb monetary expansion through changes in cash reserve requirements. Another is to try to sterilise the inflow through open market operations by the Reserve Bank of India, the central bank.

Best of all, however, would be to see the inflow as both reward and opportunity. A faster reduction in the fiscal deficit than that planned by the finance minister, Mr Manmohan Singh, could help offset the inflationary effects. Above all, accelerated import liberalisation would directly ebsorb foreign exchange. The central government faces a dilemma here, because customs duties contribute 40 per cent of its revenues. The solution is a reform designed to increase imports, along with changes to the fiscal system, to reduce dependence on customs duties.

It would be a massive policy failure for India to be unable to absorb a few billion dollars, without letting exports be crowded out or suffering from needless inflation. These resources must be absorbed in a non-inflationary way, instead. The outside world has become increasingly concerned about the will of the Indian government to sustain stabilisation and press on with radical reform. Mr. Singh has recently restated both commitments. How the government copes with the opportunity presented by the present glut of foreign exchange will help show whether it is to be taken seriously.

Labour looks for a leader

Labour's leadership contest will be gripping for reasons beyond a sporting interest in the fate of well-known politicians. The winner will take over a party well ahead in the opinion polls, following a selection process democratised to the point that it is rather like the primaries of the United States. Just as those produce potential presidents, so the Labour primary will produce a potential prime minister.

It is therefore remarkable that the party has so far conducted itself with such uncharacteristic restraint. Potential candidates have been asked not to declare their hands until June 10, the day after the European elections. That leaves 40 days for open canvassing before the results are announced on July 21. This has not prevented anyone from campaigning behind the scenes, but the delay of a few weeks before the contest formally begins may be salutary. It has encouraged most supporters of the aspirants to conduct themselves with decorum. The electorate may be spared the dogfights that attended the selection of Mr James Callaghan and Mr Neil Kinnock.

This is a credit both to the legacy of party unity left by the late Mr John Smith and to the competence of the acting leader, Mrs Margaret Beckett. Mrs Beckett has also persuaded the party's national executive to call a concurrent contest for the deputy leadership, a post she won in tandem with Mr Smith. She will therefore attract votes for apparently putting party before self. This should all but guarantee her re-election as deputy leader, and win her some support for the idea that she herself should be the new leader, should she enter the fray. The contest, and the debate on the party's future, is wide open.

Blair ahead

It is a debate that should be pursued with vigour. Various polls have confirmed that Mr Tony Blair is the most popular of the undeclared candidates. His lead is deserved, but it would be wrong to arrange a mere coronation. Mr Blair is insufficiently tested in the heat of close-fought battle. He has stood his ground for a radical view of trade union law, he has brought credibility to Labour's stance on crime and he has worked hard to identify an underpinning theme for Labour, based upon the maximum freedom for individuals within the framework of shared community interests. Little, however, is known of his approach to industrial, financial, or economic policy, not to mention topics such as foreign affairs and defence. Nor has Mr Blair ever moved into the open with views about the potential for collaboration between Labour and the Liberal Democrats.

True debate

A potential prime minister need not be possessed of detailed prescriptions for every problem, but he or she does need clear indication of the positions of principle from which to start every discussion of government action. On too many issues, it is unclear where Labour stands. Has it resolved its internal differences? Is it as free of excessive trade union influence as, say, the German social democrats, or the US Democratic party? What kind of European vision will it pursue? Where does it define the limits of the state?

These and other questions must be addressed in the leadership contest. Labour needs the adrenalin of true policy debate, if it is to excite voters rather than stand as the passive recipient of their contempt for e divided Conservative party. The candidates have been listed as of the left or right persuasion, or the traditionalist or moderniser wing of the party. Such labels can be useful, but they do not cover the complexity of the personalities involved. As shadow chancellor Mr Gordon Brown has sought to rid the party of its ancient penchant for devaluation, high taxation and high spending. Yet he still speaks as if he were a traditionalist with roots in the old left. Mr Robin Cook is a candidate of the left, but his clever wit and sharp tongue can give his pronouncements a market flavour. Mr John Prescott is a traditionalist who enjoys mocking the modernisers.

If Mr Blair is to win both the leadership and a subsequent general election he must demonstrate that he has a substantial, modernising vision, alongside the courage to take risks. And he must carry the party with him. Labour will serve no one's interest if it elects only a telegenic front man.

Is the fear that derivatives are a multi-billion accident waiting to happen justified? John Plender investigates

Through a market, darkly

Earlier this year Kashima Oil, a Japanese company, found that it had lost $1.5bn in foreign exchange derivative trading. Germany's Metallgesellschaft lost $1.4bn in oil derivatives, while US consumer products giant Procter & Gamble lost a more modest $102m on interest rate contracts. Hardly a week goes by without another expensive mishap in the use of derivatives – instruments such as swaps, futures and options whose value is "derived" from more conventional financial assets.

Such stories explain the bad press received by derivatives traders. They appear to strengthen the case of the US General Accounting Office, which last week called for tougher regulation to address gaps in the system. Nor do the counter-arguments of Federal Reserve chairman Alan Greenspan on Wednesday seem likely to damp the fear in Congress that derivatives are a multi-billion accident waiting to overwhelm the financial system.

Are the fears justified? And how precisely does the trade in derivatives change the way the monetary and financial systems operate?

Where monetary policy is concerned, the chief question is whether widespread hedging deprives interest rate changes of the impact they used to have in a derivative-free system. Since derivatives trading is, from a macro-economic perspective, a zero-sum game, the issue would not arise if the trade were purely domestic. For every trader who hedged, there would be a counterparty with an equal and opposite exposure.

But the market is global, making it possible that an increase in US interest rates might, for example, produce e weak response in the US, while tightening policy in Japan. This would happen if Japanese institutions proved to be net insurers of their US counterparties against such e rise.

Yet generalisations on this score are fraught with difficulty, not least because so many other factors affect an economy's sensitivity to interest rate changes. And in practice no one did predict the global market shake-out wrought by a mere quarter-point increase in US rates in February.

The speed and extent of the bond market plunge may have been compounded by the use of derivative instruments, which can be used to assume risk, as well as to reduce risk. Their unique characteristic is the ability to create exposure to a market cheaply, for either purpose, in terms of the investor's cash outlay – leverage, in a word.

But the market crunch in February primarily reflected a misplaced unanimity of view ebout market trends, magnified by old-fashioned leverage in the shape of bank borrowing. Investors experienced what John Heimann, a former US comptroller of the currency now resident et Merrill Lynch, describes as a worldwide margin call.

At the micro-economic level the most striking feature of derivatives is that they have grown like topsy (see charts) because they satisfy a need. Following the break-up of the Bretton Woods fixed exchange rate system in the early 1970s and the deregulation of banking, the task of stabilising markets has, in effect, been privatised. Banks, corporations, investors and governments have to insure against volatility.

Yet the task of providing insurance to end-users – those who seek to hedge the risks that volatility poses for their business – has increasingly been complemented by the explosive growth of proprietary trading, dominated by a handful of giant commercial and investment banks, a phenomenon explored in an earlier article*.

The joy, from the banks' point of view, is the sheer extent of the potential for hedging, especially in the over-the-counter markets where banks offer customised (and thus high-margin) products to end-users. Scope for growth outside formal exchanges, says Leo Melamed, a founding father of the Chicago financial futures markets, "is limited only by the imagination".

Derivatives trading thus provides an answer to two of the banks' biggest problems: the loss of large corporate clients after the third-world debt crisis and the blow to the profitability of their conventional business arising from the globalisation of markets, rapid technological change and financial deregulation. The margins in orthodox financial intermediation – deposit-taking and lending – are now woefully thin and companies are increasingly reluctant to pay large fees for investment banking services.

"I invite anyone," says Salomon Brothers' chairman and chief executive officer, Deryck Maughan, "to point to a fee that's gone up in the past 10 years. Fees only decline. If adequate returns to capital are to be maintained, it will be a trading world."

In this competitive maelstrom where frenetically mobile capital seeks out the highest global returns, off-balance sheet derivatives trading is the equivalent of alchemists' gold. Institutions can offer a pure broking service. Or, more profitably, they may put the deal on their own books and look for a counterparty with offsetting risk management needs.

At one end of the proprietary spectrum are those who do low-risk, high-volume arbitrage business, taking a small margin from balancing the odds like the bank in a casino. At the other are those who take large speculative positions, hedged in varying degrees.

The risks are little different from those traditionally run by banks and insurance companies. They include market risk (vulnerability to fluctuating prices); counterparty credit risk (the threat of default by the other party to the contract); liquidity risk (where the financial instrument cannot quickly be replaced at close to its fundamental value); and operational risk (failures of internal control, including computer systems or fraud).

Yet many of the larger losses incurred to date, such as those on local authority swaps in the UK, have stemmed from legal risk, where one party was not euthorised to conduct such business.

The worry about derivatives lies less in the nature of the risks being run, than the wider market context, which is dangerously opaque. The report of an internal working group of the Bank of England concluded last year that the unsupervised status of some of the large players in the system "does represent a supervisory hole at the very heart of the derivatives markets".

Disclosure practice has lagged behind market developments, resulting in balance sheets that have been drained of meaning

That looks prescient in the light of the scale of derivatives dealing by unsupervised hedge funds that has become apparent this year. Note, too, that much of the US investment banks' derivatives dealing is conducted through unsupervised, special-purpose subsidiaries, to which the credit rating agencies have granted higher ratings than those of the parent bank. Some central bankers question whether this artificial structure, despite numerous inbuilt safety devices, would stand up in a financial fire-storm.

Still more striking is the absence of adequate information ebout counterparties. Disclosure practice has lagged behind market developments, with the result that balance sheets have been drained of meaning. The creditors of Kashima Oil, for example, might have thought that they were dealing with a company that was exposed to fluctuations in oil prices. Yet it turned out to be a foreign exchange dealer, running currency risks on a scale that wiped out its capital.

Nor can published bank balance sheets convey an adequate picture of the risks being run, since derivative positions change minute by minute in the markets. Meantime, corporate giants like Procter & Gamble that run derivative-intensive treasury operations as a profit centre have, in effect, taken a conglomerate move into market-making. Yet it is rarely made apparent to shareholders or creditors whether derivatives are being used to hedge or to speculate. All that is clear, says one leading US derivatives trader, is that the profit-centre mentality always leads to trouble.

An accountancy profession that is increasingly preoccupied with making money out of consultancy has been slow to respond to the biggest challenge to historic cost accounting since inflation accelerated in the 1960s. The problem is that derivatives incorporate big assumptions about the future. Options, in particular, are difficult to value since, as their name implies, they are options that may or may not be exercised, not firm commitments to deal at a fixed future price.

The discipline that the big banks have invented to deal with such problems is "marking to market" – writing commitments up or down in line with market prices. Yet with over-the-counter derivatives, there is no real market. Instead there are complex computer valuations based on assumptions about probability, volatility and future costs. William McDonough, president of the Federal Reserve Bank of New York, worries that market prices may not fully reflect the illiquidity of the more complex derivatives. Certainly experience has shown that liquidity in over-the-counter markets can evaporate in a panic.

In this twilight world everyone depends heavily on the rating agencies. Yet Moody's, for one, admits thet a large proportion of outstanding contracts are too new for it to feel sure that the risks are low. Balance sheets full of derivatives appear more liquid than ones full of conventional bank loans. The credit risk is only e fraction of the notional amount of the derivatives (see table). But there has to be a question mark over the derivatives traders' capital adequacy until the business has been tested over e longer period – and a worry that traders are relying on the presence of a central bank lender of last resort as they take otherwise excessive risks.

The system of checks and balances within individual organisations is crucial. The big players, most of whom follow the risk management recommendations of the Group of 30 banking think-tank, have spent heavily on systems and skills. The investment appears to have paid off in the upheaval of the past three months when arithmetical assumptions about correlations between markets broke down. At Bankers Trust, e derivatives market leader, more was lost in the cash markets than in derivatives, says vice-chairman George Vojta.

Most central bankers claim that the probability that the mispricing of risks in derivatives could lead to a systemic shock is low, but cannot be ignored. They also worry that lack of information about exposures could exacerbate a financial crisis; and that complex derivative linkages ecross global markets could then make the contagion hard to contain. The General Accounting Office, meantime, questions whether it is appropriate for heavy proprietary trading in derivatives to be supported by insured deposits, which may encourage participants in excessive risk-taking.

The more obvious threat is simply to individual firms, especially those at one remove from the mainstream. The failure of Kidder Peabody's senior management, auditors and traders to detect the phoney profits declared by top trader Joseph Jett was an astonishing collapse of corporate governance. Such problems are acute where traders' performance is assessed for bonus purposes over shorter periods than the life of the outstanding derivative contracts which they have put on their firm's books.

As Martin Mayer at the Brookings Institution think-tank points out, risk-shifting instruments also have a way of pushing risks on to those least able to absorb them. This is born out by Douglas Morris, senior policy adviser to the comptroller of the currency. He points to a US bank with only $200m of assets which acquired a structured note carrying an exposure to the swings of the peseta and D-Mark against the dollar. After adverse swings, the note yields no income and has lost a fifth of its value.

That is symptomatic of the enormous conflicts of interest built into e system in which own-account trading is pervasive. As a leading banker in the Euromarkets puts it, with only mild exaggeration, 90 per cent of the work of big investment banks is now unprofitable and serves only as a loss-leader for highly profitable proprietary trading. *Caveat emptor* is thus a categorical imperative for end-users.

It would make no sense to protect Procter & Gamble. Handling the banks is a more difficult matter. Derivatives are e valuable addition to the financial armoury. The real problems, both for individual banks and the system, are about opacity, leverage and lack of managerial competence. Central bankers will have to be on their mettle if that potentially lethal combination is not to lead to trouble.

**Financial Times, May 18*

OBSERVER

Many holes in one

■ Seve Ballesteros may be miffed that having brought the 1997 Ryder Cup to Spain, the biennial international golf match staged between Europe and the US will not be played on his own Sancti Petri course near Cadiz. But Spain'e Foreign Ministry is as pleased as punch.

Valderrama, the chosen venue, is home to one of Spain's secret diplomatic weapons in its long-running dispute to retake Gibraltar from the Brits. Sotogrande, the huge Mediterranean luxury estate that surrounds the Valderrama links, is next door to Gibraltar, and is tempting an increasing number of golf-crazy Gibraltarians to desert the British fastness.

Moving into a Sotogrande mansion gives immediate access to three golf courses, including Valderrama, and two polo grounds, as well as rubbing shoulders with the Cartiers, Hennessy's and with Valderrama owner Jaime (Jimmy) Ortiz-Patiño whose grandfather was the king of Bolivian tin mines.

Shares in Sotogrande shot up to e year's high on news of the Ryder Cup win. All that is required now is for Madrid and London to settle their historic squabble and end a ban on domestic flights from Spain to the Rock's airport.

It is not only Seve and his golf-crazy father-in-law, Emilio Botín, chairman of Banco Santander, who want to avoid e long drive to the Valderrama links. Expect an early breakthrough on the diplomatic front.

Softly, softly

■ Lord Lawson's desire to secure the secretary-generalship of the OECD seems to have provoked an uncharacteristic outbreak of diplomacy on the part of the former British chancellor, if his performance yesterday at the Royal Institute of International Affairs is anything to go by.

Even Walter Eltis, e free-market guru from the DTI, couldn't get him to blame Europe's high unemployment on its hopeless industrial and social policies. "People do have a choice whether to reap the rewards of their efforts through more generous social provisions, or by having more money in their own pockets." Lawson knows he needs the votes of those dreadful high-taxing, high-spending, interventionist Social-Christian-Democrat European governments.

Then there is the tricky little matter of the highly unflattering portrait he paints of the OECD in his memoirs. The strictures were "perhaps too harsh, but I believe they contained a kernel of truth". Anyway, he had been referring not to the diligent economists, but to the ministerial meetings (like the one next month that may or may not elect him).

Given half the chance, he would "find a way of making those meetings more worthwhile".

Out of the can

■ To veterans of the international tin crisis, Bruce Leeming will be a familiar name. The former managing director of Rudolf Wolff, one of the London Metal Exchange brokers much mauled in the tin crisis of the mid-1980s, quit his post in acrimony at the time.

Now he is about to burst on to the world in what he hopes will be a controversial new guise. His first published work, *An Anger Bequeathed*, is due out next week – and pretty steamy stuff it is, too. Billed as "a novel of lust and high ideals", it tells of Harriot (sic) Murray, a highly competitive and sexually voracious woman seeking revenge for past exploitation by men.

Leeming – who has written several unpublished novels, including e libellous thriller about the tin crisis, and copious haiku poetry – drew on family history for his new oeuvre. But he says Harriot is "wholly imaginary" and insists that she bears no resemblance to anybody at the LME, past or present.

Appetite for war

■ Good food and drink can help the delicate process of negotiation, in business as in diplomacy – but surely entertaining the warring Bosnian factions at the famous Père Bise restaurant in Talloires is going e bit far?

The three Bosnian delegations – Serbs, Croats and Moslems – together with the five-nation group from the US, Russia, Britain, France and Germany – have requisitioned four top hotels in the picturesque resort on Lake Annecy. None of this comes cheap. Dining out at Père Bise can cost up to £100 a head – and that's without wine.

Talloires was chosen ostensibly because the resort can effectively be sealed off from the disruptive attentions of journalists and camera crews. Even so, nothing much is expected to come out of the discussions.

Perhaps that's not surprising. If aggression is rewarded so handsomely, why not go on fighting?

Why Slater walked

■ Was he pushed, or did he jump? Jim Slater, ex-chairman of the collapsed Slater Walker Securities, has penned his last column for the City pages of the financially-stretched Independent newspaper.

It's not clear who terminated whom, but the 65-year-old Slater has no regrets. He is up to his eyes in his latest project – setting up a London equivalent of Value Line, the US money managers' crib-sheet.

A monthly publication out of the Hemington Scott stable, it will analyse every quoted UK company and give all sorts of rankings. Slater is convinced that it will be e knock-out. But he may have to play around with the title – Really Essential Financial Statistics.

It doesn't have quite the ring of a stock market best-seller.

Bright lights

■ How many lawyers does it take to change a light bulb?

How many can you afford?

FINANCIAL TIMES
Friday May 27 1994

Employers' group reports growing confidence

Rise in UK order books boosts recovery hopes

By Gillian Tett and Philip Coggan in London

British companies reported the highest monthly level of factory orders for five years in May, providing fresh evidence that the economic recovery is feeding through to the manufacturing sector.

In a further sign of growing business confidence, a Confederation of British Industry survey also found that manufacturers expect a strong increase in output over the coming months.

But this npbeat picture of economic recovery was slightly marred by new money supply statistics that hint at possible inflationary pressures.

The latest figures for notes in circulation, released by the Bank of England yesterday, suggested that next week's statistics would show dramatic growth in M0, the narrowest measure of the money supply.

The total value of British bank notes in circulation in the week to May 25 was 6.7 per cent higher than a year ago. Using those statistics, and numbers from previous weeks, Mr Nigel Richardson, head of bond research at Yamaichi International (Europe), estimates that annual M0 growth in May will jump to 7.1 per cent in May, from 6.2 per cent in April. The government's monitoring range is 0-4 per cent.

Any such rise is likely to fuel concern that inflationary pressure could potentially undermine recovery, and increase speculation about a rise in interest rates. Earlier this month the Bank of England expressed some concern about rapid M0 growth in its latest inflation report.

Although the report said the acceleration in M0 growth had been prompted by low interest rates, which encourage consumers to hold cash, it noted that "the longer M0 grows at well above the top of its monitoring range, the greater the concern about the implications for future inflation".

These inflationary concerns were yesterday played down by the CBI itself. Its latest economic forecast, released today, predicts steady, low inflation, economic recovery during this year and next, and says there is little evidence yet of any pick-up in wage earnings.

Meanwhile, the CBI's industrial trends survey, also released today, suggests that price pressures remained fairly weak in manufacturing in spite of the pick-up in output.

Although slightly more companies now expect to be able to increase prices over the next four months than reduce them, this proportion is lower than a year ago, and only fractionally higher than in previous months. The survey covers companies accounting for about half of the total UK manufacturing output.

Elsewhere, the survey suggests that overseas demand is contributing to the improvement in company order books. Although export order books are still running at levels that companies consider below normal, they are at their best levels since 1990, the survey said. Medium sized companies, reported the best levels of output and export.

Bnt business confidence was high across most sectors, with 36 per cent of companies expecting to see an increasa in ontput volume over the coming months.

Japanese household spending falls 4.3%

By William Dawkins in Tokyo

Household spending in Japan slipped by 4.3 per cent in March, the worst year-on-year decline since 1981, the government's management and co-ordination agency announced yesterday.

This is the second month of spending decline, a worrying reversal of a four-month run of increases in household spending to the end of January and a sign of the continuing economic challenges facing the government of Mr Tsutomu Hata.

The spending figures cast doubt on Japan's chances of an imminent, consumer-led recovery and increase pressure on the Bank of Japan to reduce its official discount rate (ODR) to give the flagging economy a psychological lift, economic analysts said.

The official rate, at which the central bank lends to commercial banks, has stood at a record low of 1.75 per cent since last September. Yesterday, it stood a mere 0.3 percentage points below the overnight money market rate, at which commercial banks lend to each other.

That leaves the Bank of Japan little room to intervene to cut short-term money market rates, which are already at a record low, unless there is another reduction in tha ODR.

Mr Yasushi Mieno, the Bank of Japan governor, warned this week that corporate balance sheet adjustment and the pace of labour-shedding were amongfactors that might impede growth.

However, the bank has so far used the money markets to influence interest rates.

Management and co-ordination agency officials argued that part of the March spending decline was caused by delays in car purchases, ahesd of a fall in car sales tax in April.

Its survey also shows a 0.4 per cent decline in wage earners' real incomes in the year to the end of March, the first such drop for 13 years. Bonuses (a large part of annual wages) and wives' income from part-time work both declined, the agency said.

The survey showed that spending on food, furniture and clothing fell, while households spent more on housing, utility charges and medical care.

THE LEX COLUMN

Eurotunnel bridges the gap

It is a miracle of financial as well as civil engineering that Eurotunnel has come this far. With its third round of funding secured, the project at least has the chance to be tested against alternative forms of transport in the open market. But it is too early to hail Eurotunnel as a triumph for private-sector funding; that would require all capital providers to receive adequate compensation for their risk. While the banks are earning a healthy interest margin on their loans, it is not yet clear that shareholders will see a decent return.

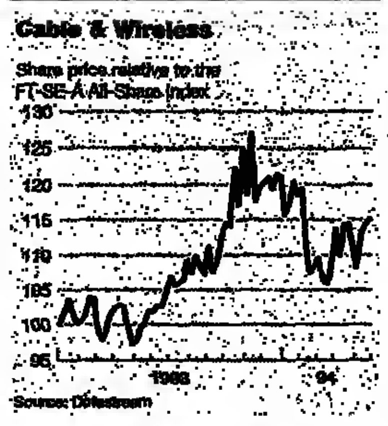
With construction now completed, further disappointment on costs looks remote. But the revenue Eurotunnel will generate remains a matter for educated guesswork. The latest financing package includes £500m leeway in case revenues fall short of the company's projections. Still, a revenue shortfall of more than 17 per cent between now and 1998 could leave the company short of cash. That would push dividends back beyond 2004. Without hard evidence of the business Eurotunnel can attract, the possibility cannot be ruled out.

The next 18 months, including the first full summer season, will be critical. With its enormous fixed costs, Eurotunnel would have little option but to react if price competition from the ferries left it running well below capacity. Tourist traffic outside the summer season is especially price-sensitive. While ferry operators have little incentive to start a price war, it remains an open question whether Eurotunnel's current pricing strategy will fill its expensive pipe.

If revenue exceeds expectations in the early years, though, Eurotunnel could equally lock into a virtuous circle. High borrowing costs are the penalty for relying on private-sector funding. An average interest cost of over 9 per cent on £7bn bank debt – and a whopping initial 2.5 per cent margin over interbank rates on its latest loan – leaves precious little for shareholders. While Eurotunnel's forecasts already assume a modest reduction in borrowing costs, a credible cash flow would greatly strengthen its negotiating position with the banks.

Dividends might then come earlier than expected. With a year or two of solid cash flow for comfort, institutional investors might also reduce the rate at which dividends are discounted in their theoretical valuations of the shares. The combination could have a dramatic impact on the share price. A victory for Eurotunnel in its tariff dispute with the railways would be icing on the cake. But having been so sorely disappointed on costs, sceptics are not inclined to take revenue projections on trust. Institutional investors cajoled into underwriting the rights issue will see no pressing need for closer involvement.

FT-SE Index: 3019.7 (-1.0)



Cable & Wireless

Cable & Wireless shareholders will hope that Lord Young, group chairman, has greater success in the great China telecommunications lottery than he had in his UK lottery bid. The potential jackpot could be huge: a central role developing China's exploding telecommunications market. Lord Young was full of optimism at C&W's preliminary results yesterday. China planned to expand the number of telephone lines from 40m now to 114m by the end of the century, he said. It was no longer a question of if but rather of when the market would be opened to foreigners. C&W had been told it would be China's preferred partner when that happened.

Still, the jackpot is not in the bag. Though C&W hopes for some opening of the China market this year, the timing of liberalisation is uncertain. Though Lord Young continues to hob-nob with top Chinese politicians, the risk of that good relationship being damaged by the ongoing dispute between UK and China remains. And even if C&W gets its foot through the door first, others such as AT&T will be in hot pursuit.

Outside China, tha group's prospects are rather dim. Tougher competition and vigorous price-cutting will prevent profits at Mercury rising much in the current year. Given C&W's low gearing of 12 per cent, stepped-up investment in new projects is likely in the next year or two. But C&W still has to prove that it can earn good returns outside Hong Kong.

Storehouse

High profile management changes at Storehouse have done no service to the company's share price. This year it has merely level-pegged the sector, despite the group's evident recovery prospects. The naw management needs a period of stability to deliver the growth of which BHS in particular ought to be capable. Yesterday's annual results provide a reasonable starting point even if a lower rental charge flattered BHS's profits by about £6m. Group profit before exceptional items was up by 48 per cent. Motharcare is recovaring nicely, though there is still plenty of room for higher margins.

While rivals such as Burton are grappling with the consequences of extravagant expansion in the 1980's, Storehouse has the room and the resources to expand the BHS chain. It is both under-represented in British shopping centres compared with Marks & Spencer and generates about half the revenue per square foot. Progress admittedly may be slow. Only three new store openings are planned this year but higher volume should add to the benefit of much needed group-wide purchasing efficiencies.

The tricky part lies in developing an image of BHS as a store shoppers visit for more than just casual purchases. That will require marketing flair as well as disciplined management. If Storehouse can achieve that, it would deserve to out-perform.

TeleWest

The decision to pull the Comcast and General Cable flotations is being blamed on "market conditions". The same excuse will probably be given if TeleWest is pulled this morning. But it will take more than an improvement in the market to resuscitate plans to float the cable industry.

Investors who have been burnt on Eurotunnel will need reassuring that discounted cash flow calculations are more solid this time round. They will also want to know why the valuations being sought in cable share issues are much higher than the prices trade buyers have recently paid for franchises.

Hong Kong developers defy authorities with low bids

By Louise Lucas in Hong Kong

Hong Kong property developers yesterday acted together to arrange low bids at a public land auction, challenging the colony's government, which has pledged to intervene in the property market to bring down soaring prices.

One analyst described the government auction, which saw bidders rushing around the hall to reach agreement with those proposing higher bids, as a "blatant display" of a property developers' cartel.

The inability of many families to afford their own homes prompted Mr Chris Patten, Hong Kong's governor, to launch a task force in March, which has been instructed to come up with means of curbing price rises.

Prices of small apartments have risen by 200 per cent in the past three years, but industry opposition to the government's planned intervention has coincided with concern that the market has passed its peak.

Last month the government increased the amount of residential land that it will sell this year.

Analysts are forecasting that residential property prices will fall by between 10 and 20 per cent as a result of the govarnment measures.

Patten confident over Hong Kong's future ....Page 4

At yesterday'a auction it is that understood a consortium of up to 12 developers bought one site and another 10 jointly purchased a second plot. Both consortia included some of the colony's biggest developers.

The first site, of 20,780 square metres was sold for HK2.04bn ($256.5m) although the market had expected a price of HK$3bn to HK$4bn. The second, smaller plot went for HK$510m, although it had been expected to fetch HK$800m.

The Hong Kong stock market reacted badly to the low prices. The Hang Seng index, which had risen strongly in afternoon trading, finished 39.66 down at 9,481.71.

However, the land prices were regarded more as a warning to the government than a sign that the property market had turned.

Mr Michael Green, director of S.G. Warburg in Hong Kong, said developers appeared to have formed consortia to send a clear message to the government "not to interfere with the free market mechanism".

Bid for leading bank

Continued from Page 1

nailed its nationalist colours to the mast, stating that the presence of several domestic companies "would guarantee an essentially Austrian underpinning for the bank's further development".

It argued that the country's plan to join the European Union made the presence of an Austrian bank necessary, in the EU and eastern Europe.

The consortium would buy more than half of the government's shares at and would put the rest on financial markets "as soon as possible".

The consortium contains several non-Austrian companies, inclnding Generali and Banca Commerciale Italiana of Italy and Commerzbank of Germany.

Mr Rainer Gut, chairman of the group built around Credit Suisse, said last week that CS would buy a 20-30 per cent stake as a first step and insist on first refusal on further sales of the finance ministry's holding.

Screen text warning

Continued from Page 1

detecting minute eye movements. They show that, close to ascreen, the eye is capable of detecting minute changes in light intensity as the image is refreshed, and these are unconsciously recorded by the viewer.

The brain interprets them as warning signals in a throwback to the days when humans had to be alert to the possibility of sudden charges by sabre-toothed tigers and the like. The eyes, in consequence, wander continually to the edges of the screen to try to identify the danger.

Mr Kay said it was technically possible to build a screen suitable for reading text. It would have 6.3m picture elements (pixels) compared with the 300,000 on a typical PC screen.

Such a screen, built at Xerox's research headquarters, had cost $200,000 (£133,333). Screens of equivalent qoality might be available at an economic price in five years, he thought.

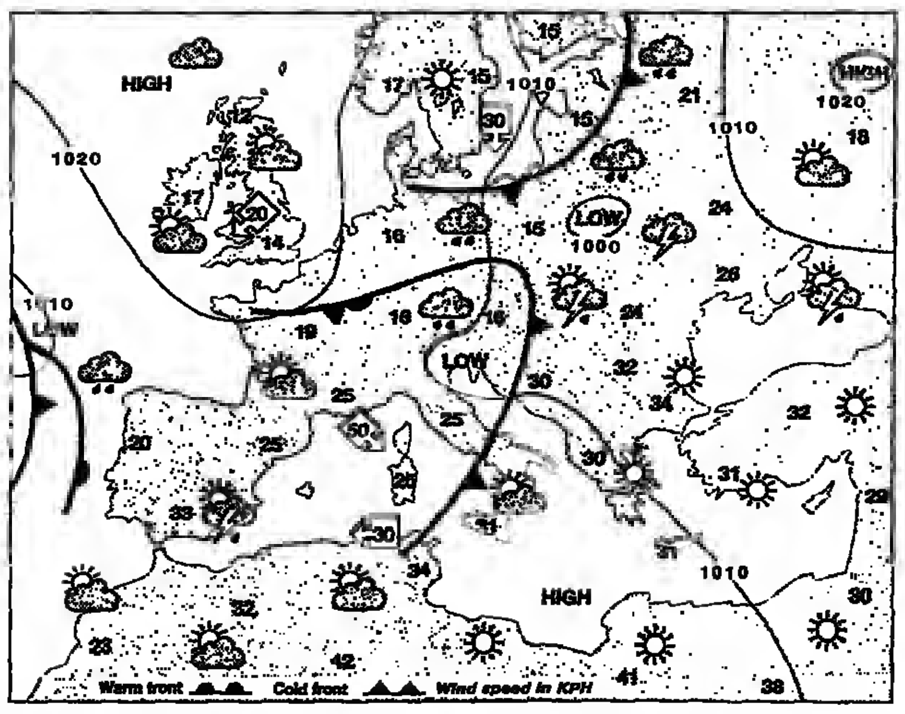
FT WEATHER GUIDE

Europe today

An active depression over the White Sea will channel cold air southwards across Scandinavia. Temperatures will be unusually low over the north. There will be some snow or sleet showers across the far north. A large high pressure system stretching from Iceland to France will bring settled conditions to most of the North Sea countries. However, it will direct cool air and clouds into coastal areas. Inland, there will be a mixture of sunshine and clouds. Light winds and plentiful sunshine will prevail over southern France and Spain. A wide band of rain will accompany a cold front in north-west Russia, Poland, the Czech Republic and Slovakia. Some thundery showers will precede the arrival of the cool air. The Mediterranean will experience blue skies and high afternoon temperatures.

Five-day forecast

The high between Iceland and Scotland will slowly shift towards the British Isles and the Low Countries. It will bring light winds and sunshine. It will remain cool and unsettled over northern Europe. The western Mediterranean will experience tropical temperatures. Warm and somewhat sultry conditions will envelop the coastal areas of southern Italy and the eastern Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	31	Caracas	cloudy	29	Edinburgh	fair	14	Madrid	fair	30	Rangoon	fair	36
	Celsius		Belfast	fair	15	Cardiff	fair	16	Faro	fair	24	Majorca	fair	29	Reykjavik	fair	10
Abu Dhabi	sun	37	Belgrade	thund	31	Casablanca	fair	23	Frankfurt	cloudy	17	Malta	sun	33	Rio	cloudy	27
Accra	fair	32	Berlin	rain	18	Chicago	sun	20	Geneva	cloudy	19	Manchester	fair	14	Rome	fair	25
Algiers	fair	29	Bermuda	cloudy	26	Cologne	cloudy	16	Gibraltar	fair	28	Manila	cloudy	31	S. Frsco	fair	19
Amsterdam	cloudy	15	Bogota	fair	19	Dakar	fair	27	Glasgow	fair	16	Melbourne	cloudy	19	Seoul	sun	21
Athens	sun	33	Bombay	fair	33	Dallas	fair	27	Hamburg	fair	17	Mexico City	cloudy	22	Singapore	thund	31
Atlanta	sun	24	Brussels	cloudy	15	Delhi	sun	41	Helsinki	fair	16	Miami	fair	32	Stockholm	fair	15
B. Aires	shower	15	Budapest	rain	23	Djakarta	fair	31	Hong Kong	thund	31	Milan	fair	27	Strasbourg	drzzl	18
B.ham	fair	14	C.hagen	fair	17	Dubai	sun	37	Honolulu	fair	30	Montreal	cloudy	15	Sydney	cloudy	21
Bangkok	shower	35	Cairo	sun	38	Dublin	fair	14	Istanbul	fair	30	Moscow	rain	21	Tangier	fair	24
Barcelona	fair	24	Cape Town	cloudy	19	Dubrovnik	sun	30	Jersey	cloudy	14	Munich	drzzl	15	Tel Aviv	sun	34
									Karachi	sun	37	Nairobi	fair	25	Tokyo	shower	25
									Kuwait	sun	40	Naples	sun	27	Toronto	fair	14
									L. Angeles	fair	21	Nassau	fair	31	Vancouver	cloudy	15
									Las Palmas	sun	23	New York	sun	18	Venice	fair	25
									Lima	cloudy	23	Nice	fair	23	Vienna	rain	21
									Lisbon	fair	24	Nicosia	sun	37	Warsaw	rain	16
									London	fair	15	Oslo	fair	18	Washington	sun	21
									Lux.bourg	drzzl	19	Paris	cloudy	19	Wellington	cloudy	18
									Lyon	cloudy	20	Perth	cloudy	22	Winnipeg	sun	28
									Madeira	fair	22	Prague	rain	15	Zurich	drzzl	17

FINANCIAL TIMES
COMPANIES & MARKETS
Friday May 27 1994

IN BRIEF

Debts worsen at Japanese banks

Bad loans overshadowing Japan's 11 leading commercial banks are growing faster than they can be written off, on the evidence of the industry's annual results. Page 21

Paribas sees acceleration
Recovery at Paribas, one of France's leading banking groups, will accelerate this year as the economic climate improves, according to Mr André Levy-Lang, chairman. Page 18

Software house at a record
Computer Associates, one of the largest software companies, reported record fourth-quarter results as sales of its programs for mid-range client-server computer systems increased sharply. Page 19

Legal eagles scare US companies
US companies are becoming increasingly reluctant to keep investors fully informed of their prospects because of the threat of costly legal action. Page 20

Storehouse goes for expansion
Storehouse, the fast-recovering owner of the BHS and Mothercare retail chains, is increasing its spending to expand its selling space, as it reported a fourfold increase in pre-tax profits. Page 24

South West Water at lower end
South West Water announced pre-tax profits at the lower end of expectations as the effects of falling interest rates and hefty capital expenditure began to take their toll. Page 25

Shoprite shares tumble
Shares in Shoprite fell 54p to 90p yesterday as the discount food retailer brought forward publication of its interim results from mid-June because profits for the period were substantially below market expectations. Page 25

A new chapter for BSG International
BSG International, the UK components manufacturer and vehicle distributor, opened a new chapter in its history yesterday when it split its business into two core divisions, opening the way to the break-up of the group. Page 25

Alba sharply ahead
Alba, which earlier this month acquired Goodmans Industries, a rival UK consumer electronics group, for some £3.6m, yesterday reported sharply higher full year profits. Page 26

Distiller helped abroad
Macdonald Martin Distilleries, best known for Glenmorangie single malt whisky, staged a smart recovery in its second half, helped by a strong performance in international markets.
Page 27

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Leifheit	735	+	25
Porsche	808	+	28
Falls			
BMW	856	−	28
Bilfinger & Brg	755	−	21
Metallgesellschaft	219	−	12
Volkswagen Prf	387.5	−	10.5

NEW YORK ($)			
Rises			
Boeing	46⅝	+	2⅛
Comp Assoc	41⅞	+	4
Gen Electric	48⅞	+	1⅜
United Tech	66¼	+	1¼
Falls			
Lotus Dev	31	−	2¼
Philip Morris	50	−	3¾

PARIS (FFr)			
Rises			
Cred Lyon (CI)	582	+	32
Fromageries Bel	5050	+	135
Pechiney Intl	169.5	+	4.8
Pernod Ricard	365	+	21.5
Taittinger	2540	+	120
Falls			
Radiotechn	322	−	33

TOKYO (Yen)			
Rises			
Chiba Bank	987	+	45
Falls			
Hitachi Sales	909	−	21
Marcian Corp	748	−	28
Takeda	1210	−	60
Toei	821	−	28
Tokyo Rope	657	−	28

New York prices at 12.30.

LONDON (Pence)			
Rises			
Eurocamp	280	+	7
East Co Lnds	100	+	20
Jessups	126	+	28
Kelsey Inds	301	+	13
London Elect	579	+	18
Macdnld Martn A	490	+	35
Nobels	354	+	19
Perpetual	1038	+	47
Wimpey (G)	186	+	5
Falls			
Acatos & Hutch	305	−	10
Antofagasta	1050	−	75
Aldus	130	−	9
BSG Intl	69	−	5½
Courtaulds	511	−	16
Joyes	304	−	18
Shoprite	90	−	54
Smart (J)	185	−	28
Smith New Court	343	−	11
South West Wtr	510	−	15
Tottenham Hspr	84	−	3
Trafalgar House	86	−	9

BCI shares fall on capital raising

By Andrew Hill in Milan

Shares in Banca Commerciale Italiana, the recently privatised Italian bank, fell by 4.4 per cent yesterday on news that the bank wants to raise up to L2,362bn ($1.4bn) through an issue of new shares and warrants.

Although the proposal will not be approved by the bank's directors until June 1, the company decided to make a statement late on Wednesday because of increasing market speculation about an increase in capital.

According to the statement, the board will also consider plans to seek shareholder authorisation for further capital increases of up to L2,000bn over the next five years, through the issue of bonds.

BCI yesterday declined to comment on the reasons for the planned capital increases, but some of the funds could be used to strengthen cross-shareholdings with European banks.

Earlier this week, the Italian bank announced that it was in negotiations to buy a 1 per cent stake in Commerzbank of Germany, which already has a stake in BCI and a seat on the board.

BCI is also part of the consortium which yesterday proposed buying a large stake in Creditanstalt of Austria. Creditanstalt is represented on the board of BCI and has been a shareholder since the Italian bank's foundation last century. BCI said on Monday it was ready to buy 3 per cent of Creditanstalt.

Yesterday, BCI shares fell from L5,341 to L5,105. If the plan is approved by the board, and by a subsequent shareholder meeting, BCI will issue 525m new shares on the basis of one new share for each pair already held, at a price of L3,000 a share. A further 262.5m shares will be issued for the exercise of warrants, convertible into shares at the same price.

BCI was controlled by IRI, the Italian state holding company, until its privatisation in March which raised L2,900bn. Since then, however, Mr Romano Prodi, IRI chairman, has publicly expressed his disappointment that a few large institutions gained control of the boards of both BCI and Credito Italiano, the other newly privatised bank. Mr Prodi refused to comment yesterday on reports that he will resign as head of IRI next week.

Creditanstalt, Page 1

■ £42m in professional fees ■ Discount reflects unenthusiastic response

Eurotunnel launches £858m cash call

By Simon Davies

Eurotunnel yesterday sealed its long-term future by signing up an £858.3m rights issue and completing £693m of bank financing, just weeks before the company's money was due to run out.

After £42m of fees to advisers and underwriters – with Morgan Grenfell, Banque Indosuez and S.G. Warburg Securities as the main beneficiaries – the company will receive £816m.

The three-for-five issue at 265p was pitched 25 per cent below Wednesday's closing price of 355p, reflecting an unenthusiastic response from the City. The price fell a further 7p yesterday.

It was the most widely expected rights issue since Eurotunnel's £566m call in 1990, when the prospectus said that funds raised would be "sufficient to complete the project and provide the necessary working capital".

The latest issue, the largest in the transport sector and one of the largest in UK history, had to be preceded by the signing up of £700m of new senior debt from a 220-bank syndicate. After breaching two deadlines, the core banks agreed £693m in financing on Wednesday. An additional £50m has been arranged with a separate syndicate. Sir Alastair Morton, chairman, said: "We are now open for business and funded through to financial viability."

The deal was accompanied by the news that Mr André Bénard is stepping down as co-chairman to be replaced by Mr Patrick Ponsolle, a Eurotunnel director and former managing director of Cie de Suez, the French group.

The primary cause of the latest refinancing was the delay in opening the tunnel, costing an estimated £810m in lost revenues. There was a further £290m increase in construction costs, and the remaining capital is required to pay interest on the new debt until Eurotunnel breaks even – scheduled for 1998.

Under its latest financing – which assumes agreement for the £50m additional loan and the exercise of 1993 warrants – Eurotunnel has a £470m cushion against any shortfall in revenues.

It has also suggested that arbitration over the British and French railway authorities' failure to install agreed infrastructure could give it "£100s of millions". Once it can demonstrate steady cash flows, it may be able to refinance its £8bn of debt on more favourable terms.

However, concerns remain over the quality of Eurotunnel's projections, which are based on unknown quantities, but provide a limited margin for error.

Sir Alastair said: "It is now possible to perceive a period 18 months from now, where the operations reach cruising speed. This is when the value will begin to emerge in the company."

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Divergent traffic forecasts highlight uncertainties

By Charles Batchelor, Transport Correspondent

Traffic forecasting is an uncertain business: yesterday's announcement from Eurotunnel included not one but three forecasts of passenger and freight volumes.

The projections come from Eurotunnel, its consultants and the railways, BR and SNCF. Not surprisingly Eurotunnel's numbers are the most optimistic.

Eurotunnel is now carrying daily about 100 trucks each way through the tunnel on its freight shuttles. But with just one week of freight operations behind it, Eurotunnel is still largely dependent on its traffic forecasts.

The underlying prospects are good. The cross-Channel market for both passengers and freight has been growing strongly since the mid-1980s, passenger traffic by 4 per cent a year and roll-on roll-off freight traffic by more than 7 per cent. Both Eurotunnel and its consultants, TRC, expect this growth to continue.

It is in the detail that the forecasts differ. Eurotunnel believes it will take two years to build up to its projected 40 per cent share of the roll-on roll-off freight market while TRC expects it to take three years. Eurotunnel's estimates of freight and passenger revenues, £120m this year rising to £737m in 1996, are between 5 and 7 per cent higher than TRC's.

The railways are in rough agreement with Eurotunnel on its passenger forecasts but Railfreight Distribution, BR's freight arm, makes a lower freight forecast.

Eurotunnel claims to be closer to the market than TRC as it actually talks to the freight companies. However, it should be remembered that Eurotunnel and railways are in dispute over the railways' failure to provide upgraded high-speed lines and new rolling stock on time.

Do the forecasting differences matter? Christopher Garnett, Eurotunnel's commercial director, believes that the disparity between the projections will make a difference of "millions rather tens of millions of pounds". Graham Corbett, finance director, said that there was a 17 per cent margin built into revenue projections before funding problems would arise.

It is also true that independent forecasts of traffic growth have generally been too low. Analysts yesterday were taking a cautious view. One said that even if Eurotunnel met its most optimistic projections, it would still have trouble paying off its debts.

The great unknown is the extent to which the tunnel will create new traffic as opposed to stealing passengers from the ferries and from other longer Channel and North Sea routes.

A second crucial element in Eurotunnel's forecasts is the price of tickets. The company believes it will not be possible for ferry companies to maintain their present discount offers.

But the omens are not good. Stena Sealink earlier this week cut its prices by 20 per cent, just five months after promising it would hold them steady for the year. If the ferries are launching into such cut-throat competition before the tunnel is properly open, analysts ask, what will happen when it is providing a full service?

Tony Andrews

Alastair Morton: 'We are open for business, and funded to viability'

TeleWest set to postpone float

By Raymond Snoddy in London

TeleWest, the largest cable television operator in the UK, is expected to announce today that it intends to postpone a flotation that would have valued the company at £1.7bn.

The expected decision to postpone will be blamed on deteriorating market conditions.

The TeleWest reassessment came as General Cable, one of the largest UK cable communications groups, yesterday became the second cable company on consecutive days to postpone flotation plans.

The company, a subsidiary of Compagnie Générale des Eaux, said it had decided to defer its proposed London listing "in the light of market conditions".

Telewest, a joint venture between TCI of Denver, the largest cable operator in the US, and US West, the American telephone company, would only say last night it was assessing its options with advisers Goldman Sachs and Kleinwort Benson.

The decision by TeleWest, which was planning a listing on the London Stock Exchange and a registration of American depository shares on Nasdaq, will have considerable influence on other cable companies planning to come to market.

As recently as Wednesday Mr Alan Michels, TeleWest chief executive, suggested the float would go ahead.

On Wednesday, Comcast UK Partners which was planning to raise funds through a secondary share issue in the US, postponed the sale because of poor conditions in the market.

Comcast UK, part of Comcast the Philadelphia-based cable communications company, had planned to sell 11.75m shares for up to $18 each. When investors showed little interest at a floor level of $14 a share the offering was postponed.

General Cable holds cable franchises in the UK covering some 1.6m homes in areas including Windsor in Berkshire, Hillingdon and Hounslow in west London, and Birmingham, one of the most successful franchises in the UK.

General Cable said yesterday that it remained committed "to providing an opportunity for UK and international investors to participate in the development of the UK cable industry". It would list in the UK and internationally when market conditions were favourable.

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Deutsche Bank likely to cut its Daimler stake

By David Marsh, European Editor

Deutsche Bank, Germany's leading bank, is likely to reduce its stake in Daimler-Benz to around 15 or 20 per cent from 25 per cent in the next 10 years.

Mr Edzard Reuter, chairman of the German motor and engineering company, yesterday said: "My prediction for 10 years from today is that [the stake] will be 15 to 20 per cent – in that direction."

Deutsche's stake was cut from 28 per cent to 25 per cent after a share placement earlier this year.

Speaking at a lunch for US correspondents, Mr Reuter said: "They [Deutsche Bank] are really trying to withdraw from too heavy industrial engagements, especially in the field of supervisory boards. I think this a very good and very positive development."

About Daimler's 10 per cent stake in Metallgesellschaft, the troubled German metals and mining group, Mr Reuter gave the clearest indication to date that it might eventually be sold.

The stake, taken in 1991 when Daimler saw possibilities of links between the two groups in environmental technology, was no longer regarded as a "strategic investment", Mr Reuter said. However, Daimler participated fully in a rights issue for Metallgesellschaft earlier this year as a "comradely" gesture, he said.

Mr Reuter, who has been tipped to take over as the next supervisory board chairman of Daimler when he steps down from the management board elaborated on his strategy of widening the group's equity base. This was part of his drive to give the company "a truly international culture", he said.

The proportion of Daimler shares held in the US could rise to 15 per cent over the longer term, from between 8 and 5 per cent at present, Mr Reuter said.

Daimler last October became the first German company to have its shares listed on the New York Stock Exchange. Its one-for-10 rights issue later this summer would have a strong international element to the share-placing, Mr Reuter said.

He gave a blunt assessment of the reasons for a record DM1.8bn ($1.1bn) loss last year. Daimler's business performance, which had been "dramatically rotten", was now reaching "turnround", he said.

"No-one denies mistakes were made by management. We made evaluations which didn't prove viable," he said.

C&W sets sights on China

By Andrew Adonis

Cable & Wireless, the UK telecommunications group, claims to be on the verge of a breakthrough in China's telecoms market.

At yesterday's results meeting Lord Young, C&W chairman, said the company had been designated "preferred partner" by China's ministry of posts and telecommunications for joint ventures, the first of which could be agreed this year. C&W is using its 57 per cent stake in Hong Kong Telecom, its largest operation, as a launchpad.

The group announced a 19 per cent increase in pre-tax profits to £1.09bn ($1.63bn) for the year to March 31. Removing exceptional items, pre-tax profits rose by 32 per cent, but the weakness of sterling accounted for about £95m of the advance.

Lord Young said China was C&W's priority, with the company ready to increase its gearing sharply from a year-end 12 per cent – on net debt of nearly £400m – if suitable opportunities arose.

China's target for the year 2000 is to have increased its number of phone lines from 40m to 114m. The most likely openings are expected to be for city-wide or regional projects.

At £4.7bn, C&W's annual turnover rose 23 per cent. Earnings per share were 23.6p, against 23.7p (19.4p before exceptionals). A final dividend of 5.65p lifts the total 11 per cent to 8.25p (7.42p).

C&W experienced strong growth in all its main divisions, with turnover 26 per cent up at Hongkong Telecom, to £2.08bn, 21 per cent up, to £1.47bn, at Mercury Communications in the UK – in which C&W has an 80 per cent stake – and 29 per cent up in the Caribbean region, to £477m.

In the UK, Mercury's traffic grew by 37 per cent and it claims a UK market share of nearly 14 per cent, with a 25 per cent share of the large business market.

Mercury One-2-One, the UK cellular mobile joint venture with US West, now has nearly 100,000 customers – about 15 per cent of the market within the greater London area.

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Paribas chief forecasts accelerating recovery

By Alice Rawsthorn in Paris

Recovery at Paribas, one of France's leading banking groups, is poised to accelerate its recovery this year as the economic climate improves, according to Mr André Levy-Lang, chairman.

"The first months of 1994 have confirmed that this year will mark a new step in the improvement of the group's results," he told the annual general meeting in Paris yesterday.

Paribas, like other French banks, came under intense financial pressure in the early 1990s. It reached its nadlr in 1991 when it fell into the red for the first time, and was then dogged by a scandal over off-balance sheet share dealings at Ciments Français, the French cement company in which it was a substantial investor.

The group returned to the black in 1992 and increased its net profits in 1993, albeit to the relatively low level of FFr1.45bn ($257m) on operating income of FFr32.68bn. It made substantial profits last year from its currency trading operations, but had problems in the commercial property sector and was affected by the depressed state of the retail banking market.

Mr Levy-Lang said Crédit du Nord, the group's main retail banking subsidiary, had continued to experience problems in the opening months of 1994. He warned it was likely to incur an operating loss during the year, but said there was "every reason to think" it would move back into the black in the future.

In the meantime, Paribas, which has a large portfolio of industrial investments, is continuing its strategy of raising capital through asset disposals. Mr Levy-Lang estimated that the group had raised around FFr3bn from such sales during the first quarter of 1994.

German retailer ahead 7%

By Michael Lindemann in Cologne

Kaufhof Holding, the German retailer, yesterday reported 1993 profits of DM240m ($145.5m), up 7 per cent from DM222m the year before. The company also forecast steady earnings for the current year.

Kaufhof is set to take a stake of between 50 and 70 per cent in Horten, a smaller department store chain. This would increase group turnover to around DM28bn, comparable to that of Karstadt, Germany's biggest retailer. Final details of the deal will be announced in about three weeks after negotiations are completed.

Turnover in the first four months of this year rose 8 per cent, to DM7.6bn. Mr Jens Odewald, chief executive, predicted retail salas would pick up throngbout tha year as Germany pulled out of its worst recession.

The dividend will be raised by DM1.5 to DM13.50 for ordinary shares, and by the same amount, to DM14.50, for preferential shares.

In 1993, turnover rose to DM23.1bn, up 12.7 per cent from DM20.5bn the year before. The rise was driven mainly by a 33 per cent increase in turnover at Media Markt, Vobis and Saturn, the specialist stores which the group plans to expand.

European sales leapt 54 per cent to DM4.3bn following the consolidation of Knoni, the tourist agency in which Kaufhof holds a 50.1 per cent stake. Total foreign sales rose to 19 per cent of group turnover.

Mr Odewald said the group would invest DM900m in the coming year and increase its retail outiets by 120 to 1,235.

MoDo posts first profit for quarter since 1991

By Christopher Brown-Humes in Stockholm

MoDo, the Swedish pulp and paper gronp, yesterday announced its first quarterly profit since 1991 and upgraded its forecast for the full-year.

The group made a profit of SKr202m ($26m), after net financial items, against a year-earlier loss of SKr181m.

It said its full-year profit would be "well above" SKr1bn, compared to last year's SKr449m loss. The group's B shares rose SKr7 to SKr318.

Mr Bernt Löf, chief executive, said that although prices were rising, they had a limited impact. The npturn was mainly due to higher volumes, better capacity utilisation and cost-cutting. The group also benefited from lower interest rates and reduced net debt.

Sales rose to SKr4.57bn from SKr4.32bn, while operating profit improved to SKr433m from SKr131m.

The gronp's Swedish units lifted operating profit to SKr483m from SKr284m, due to better market conditions and higher capacity ntilisation. Foreign nnits improved, but were dragged down by the French operations where losses almost balved to SKr75m from SKr142m.

Greek telecoms returns to market

The new government has scaled down the flotation, writes **Kerin Hope**

The much-delayed flotation of OTE, the Greek telecoms monopoly, is back on track after an eight-month gap caused by a change of government. However, the socialist administration's plan to sell 25 per cent of the company through the Athens stock exchange is less ambitious than the one launched by its conservative predecessor in 1993.

The conservatives wanted to sell 49 per cent of OTE, disposing of a 35 per cent strategic stake to an international telecoms operator, together with management rights, before floating another 14 per cent.

The socialists insist the company should remain under state management. Nevertheless, government advisers, aware that the question of efficient management will loom large in investors' minds, propose appointing a telecoms operator from abroad as a technical consultant.

The selection of a consultant could be timed to coincide with the flotation, provisionally set for October, they suggest.

Analysts say that given investors' current enthusiasm for international telecoms issues, neither the delay nor the decision to restructure the disposal are likely to reduce the appeal of OTE.

OTE, valued by analysts at around Dr1,000bn ($4bn), is one of only a few profitable public utilities in Greece. Company officials say thnt operating profits in 1993 amounted to some Dr120bn on turnover of Dr300bn, a 25 per cent increase on the previous year.

Although Greece is a mature market in terms of its fixed network – with 40 lines for every 100 residents – there is considerable room for growth. Digital lines amount to only 15 per cent, while data transmission systems, paging and teleconferencing are nil in their infancy.

OTE is also benefiting from substantial European Union funding for a "crash programme" to improve telecommunications in Athens. Last month, Siemens Hellas and Intracom, a local telecoms equipment supplier, were awarded a Dr40bn contract to provide 1m digital lines for the capital. New transit exchanges will be linked by fibre optic cable, and 12 outmoded exchanges are being replaced with remote concentrators.

A crucial question will be tariff policies, still controlled by the govarnmant. Some effort was made last year to iron out distortions in pricing – which favoured domestic customers making local calls while long-distance and international rates were charged at high rates – but further restructuring will be needed.

"Revenue per line for OTE is only half the European average, so there is plenty of potential. But if the company stays under the state umbrella, will the government allow realistic price hikes?" asked a local analyst.

The government this week re-appointed Credit Suisse First Boston and J. Henry Schroder Wagg, originally the conservatives' choice, as co-ordinators and lead managers for the issue flotation. CSFB was already advising the government on the strategic sale.

Schroders will structure the issue, while CSFB will place an international tranche, expected to amount to 10 per cent of OTE's equity, with investors in Europe and the US.

National Bank of Greece, the biggest state-controlled bank, will be lead manager for the domestic tranche, replacing Credit Bank, the private Greek bank selected last year.

The experience acquired last year should help the international investment banks to meet the new timetable for the flotation. It will still be tight: revised legislation on the regulatory framework must be passed, a full audit must be completed, and decisions are needed on OTE's heavy pension fund liabilities.

There are still gaps in OTE's balance sheet, as its first audit to international standards, launched last year by Arthur Andersen, was halted when the change of government took place. However, it is clear that current pension fund liabilities amount to over Dr300bn, analysts say.

OTE contributes Dr14bn annually to the fund, which also receives a subsidy from the budget. However, if the company's pension obligations are not reduced, the fund will become a serious drain on future earnings.

With the socialists now committed to increasing Greece's base of small shareholders through privatisation, the domestic tranche, expected to amount to some 10 per cent of the offering, may include some incentives. The remaining 5 per cent is to be stripped out and sold at a discount to OTE employees and pensioners.

Government advisers discount fears that the issue, five times bigger than the largest offering to date, could overwhelm tha Athens stock exchange. They see no shortage of liquidity, as more than than Dr50bn in listings and rights issues was raised without difficulty during the first quarter of this year.

Unexpectedly low profit hits Trafalgar stock

By Paul Taylor in London

Shares in Trafalgar House fell yesterday after the UK-based group reported lower than expected interim profits of £13.4m ($20m) compared with a £98.6m loss a year ago when substantial write-downs were made in the value of its property portfolio. Turnover was almost unchanged at £1.78bn.

Trafalgar's shares closed 9p lower at 86p. The group, whose interests range from engineering and construction to London's Ritz Hotel, omitted the interim dividend.

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Nedlloyd returns to black with earnings of Fl 10m

By Ronald van de Krol in Amsterdam

Nedlloyd, the Dutch transport group, swung to a net profit of Fl 10m ($5.4m) in the first quarter of 1994 from a loss of Fl 86m in the same period of 1993.

The company, which yesterday implemented its new policy of publishing quarterly figures, said the improvement stemmed largely from cost-cutting, lower interest expenses, the firmer dollar and higher volumes of ocean-going cargo. Turnover was virtually flat at Fl 1.60bn compared with Fl 1.61bn.

In line with the company's performance in 1993, Nedlloyd's ocean shipping saw the biggest improvement, posting an operating profit of Fl 24m against a loss of Fl 57m in the same quarter of last year. Although downward pressure on shipping rates resumed in early 1994 after a period of stable rates in 1993, Nedlloyd said it was belped by a rise in the volume of cargo transported.

Nedlloyd's European road haulage business saw a rise in operating profit to Fl 14m from Fl 9m, but the performance was still below expectations.

Nedlloyd repeated earlier forecasts that it would post a profit for the full year.

Thomson-CSF may report loss of up to FFr2.2bn

By David Buchan in Paris

Thomson-CSF, the French state electronics group, said it could report a loss of up to FFr2.2bn ($380m) for 1993 because of its 21.6 per cent stake in Crédit Lyonnais.

In March, the French bank announced a loss of FFr6.9bn for 1993 and a FFr44.9bn government-backed rescue package including the transfer of FFr40bn of non-performing property loans to a new shell company.

Without Crédit Lyonnais, Thomson-CSF would have made a FFr1bn profit last year.

Statoil worth up to NKr80bn

By Karen Fossli in Oslo

Statoil, the Norwegian state oil company, has been valued at between NKr72bn and NKr80bn ($10.1bn-$11.2bn) by an independent assessment.

The appraisal, commissioned by the government from Goldman Sachs International, the US investment bank, and Fiba Nordic Securities, a domestic firm, was designed to assess the group's value and relative performance within the global petroleum industry.

The valuation could be seen as part of the process in the lead-up to a part-privatisation of the state-owned group, although the issue is not on Norway's political agenda.

Should Statoil be privatised, it is widely expected that the government would base the move on that of the ownership structure of Norsk Hydro, Norway's largest publicly-quoted company, in which the state holds a 51 per cent interest.

Fiba valued Statoil at NKr80bn, or 17 times expected 1995 earnings and three times book value. Goldman Sachs, which valued the oil group at between NKr72bn and NKr78bn, ranks it, outside government control, as the seventh largest independent oil company in the world.

This is based on its proven reserves of 3.8bn barrels of oil equivalent with a reserve life of 19 years, according to current production levels. The figure can be broken down to show production lives for oil and gas of 11 years for oil and 75 years respectively.

The US bank put Statoil's market capitalisatiun at between $5bn and $15bn, ranking it as a mid-tier oil company among the top 15 to 20 in the world, close to the size of Phillips Petroleum of the US.

In terms of independent oil groups, Statoil's size is closest to that of Enterprise Oil in the UK, according to Goldman Sachs. Enterprise, however, has a rising production profile while Statoil's is declining.

Goldman Sachs forecast Statoil's 1994 operating profit at NKr12.43bn, unchanged from 1993, rising to NKr15.02bn in 1995 and NKr16.2bn in 1996.

However, it says Statoil lacks projects to replace declining oil production, and faces rising production costs.

Norsk Hydro reveals rights issue details

By Karen Fossli

Norsk Hydro, the Norwegian energy, fertilisers and metals group, yesterday disclosed details of a rights issue to raise nearly NKr5bn ($702m).

Hydro will issue 23.7m shares at NKr200 each. Its shares closed yesterday down NKr0.50 to NKr246. Existing shareholdars will have the right to subscribe on a one-for-nine basis, for up to 3.62 per cent of the new shares, during a subscription period between June 3 to June 17.

The Norwegian state, which holds a 51 per cent stake in Hydro, intends to subscribe in full to its entitlement.

Computer Associates posts record fourth quarter

By Louise Kehoe in San Francisco

Computer Associates, one of the largest software companies, reported record fourth-quarter results as sales of its programs for mid-range client-server computer systems increased sharply.

Net income for the quarter ended March 31 rose 60 per cent to $158.8m, or 98 cents per share, from $99.1m or 57 cents per share. Revenues were $633.7m, an increase of 17 per cent over $540.1m in the same period last year.

Earnings were well above Wall Street expectations and the group's share price gained $3⅞ to trade at $40¾ at midday in New York. Costs were essentially flat despite a strong increase in revenues.

For the full year net income grew 63 per cent to $401.3m or $2.34 per share, up from $245.5m or $1.44 per share last time. Revenues were $2.15bn, up 17 per cent from $1.84bn in the prior 12 months.

Revenues from software for mid-range computers more than doubled in the fourth quarter, said Mr Charles Wang, chairman and chief executive. "In order to continue building on our mid-range client server foundation, the company entered into a definitive agreement to acquire The ASK Group, earlier this month," he noted.

The acquisition is the first big purchase by Computer Associates in two years, but since the company was formed in 1976 it has bought more than 40 other software companies to put together the broadest portfolio of products outside the personal computer sector.

Also during the fourth quarter the group announced an agreement with Electronic Data Systems to settle a lawsuit filed against EDS, alleging that EDS had distributed CA products without paying proper licensing fees.

Under the terms of the agreement EDS will standardise on Computer Associates' software worldwide, and will also become a reseller of its products.

"The CA-EDS agreement was the largest single software licensing transaction ever completed," said Mr Wang.

"We look forward to the prospects for fiscal year 1995 with optimism."

No split for Philip Morris

By Richard Tomkins in New York

Shares in Philip Morris, the US food and tobacco group, yesterday shed $3⅞ to $50 as the company dampened stock market hopes that it was poised to split its tobacco operations from the rest of the business.

The company issued a terse statement saying: "It is not anticipated that this issue will be before the board in the foreseeable future."

Like other US tobacco manufacturers, Philip Morris has been suffering downward pressure on its share price because of increasingly intense opposition to smoking in the US, bringing threats of anti-smoking legislation and lawsuits seeking damages for smoking-related diseases.

Last month Philip Morris confirmed a Financial Times report that it was considering splitting off its tobacco operations from the non-tobacco part of its business as one of several possible options for enhancing the value of its stock.

On Wednesday the company's shares were suspended all day as directors met to discuss the possibility of a separation. The length of the meeting, an unprecedented six-and-a-half hours, suggested that the issue was keenly debated.

Afterwards, however, the company said the board had decided to take no action. Instead it appointed Mr Geoffrey Bible, executive vice president for world tobacco, to the board and promoted him to vice chairman for worldwide tobacco.

● Shareholders voted to defeat a proposal to spin off disparate businesses of US Shoe, Reuter reports.

The group's directors had recommended shareholders to vote against the proposal.

Glaxo India sells unit to Heinz for $70m

By Naazneen Karmali in Bombay

Glaxo India, a subsidiary of Glaxo Holdings of the UK, has sold its family products division to H.J. Heinz of the US for $70m.

The division contributes 30 per cent to the offshoot's net profits and generates annual revenues of Rs1.5bn ($47.8m) from products including baby foods, health beverages and toiletry products.

The deal involves all brands, a factory at Uttar Pradesh and an undertaking by Heinz to employ the division's 950 employees.

The sale, which will be put to shareholders next month, is subject to government approval.

The sale is in line with Glaxo's strategy to concentrate on its mainline pharmaceutical business which contributes around 65 per cent to total revenues of Rs6bn.

Last year, Glaxo Holdings invested Rs510m to increase its stake in the Indian company from 40 per cent to a majority 51 per cent.

Since then steps have been taken to align the Indian subsidiary's businesses more closely with the parent company's.

In an attempt to overcome constraints imposed by drug price controls introduced in 1979, Glaxo India had diversified into products such as starch derivatives, soya bean oil and liquid glucose by setting up joint ventures. Last year the board decided to move out of these loss-making businesses.

A Glaxo spokesman said that while the division has contributed to the bottom line, its growth was in question with the entry of multinational food companies to India.

Writedowns push Cadillac Fairview to C$2.7bn loss

By Bernard Simon in Toronto

The main operating subsidiary of Cadillac Fairview, the Toronto-based property developer which is in the midst of a debt-restructuring, suffered a C$2.71bn ($1.96bn) loss in its latest fiscal year.

The loss, the biggest ever reported by a private-sector company in Canada, was largely due to hefty writedowns of real-estate assets to reflect the lower of their cost or market value.

As a result of the writedowns and other non-recurring provisions, the book value of the subsidiary's assets tumbled to C$2.8bn last October 31, from C$5.3bn a year earlier.

Cadillac Fairview (CF) is a private company owned by about 40 institutional investors in the US and Canada. Its 73 properties include Toronto's landmark Eaton Centre.

The parent company does not publish financial results, but its main subsidiary, Cadillac Fairview Corporation Ltd, has issued publicly-traded debt securities.

CFCL's operating loss was C$195.6m in the 12 months to October 31, up from a C$162.7m loss a year earlier.

CF's capital-restructuring plan covers debt of about C$3.3bn.

The company is seeking to reduce its debt, raise new equity and sell some assets. It has segregated its various properties, servicing the debt only of those with adequate cash flows.

According to local reports, prospective providers of equity include the Reichmann family, former owners of Olympia & York Developments; Mr Li Kashing, the Hong Kong tycoon; and US financier Mr Leon Black.

A CF spokesman said yesterday that the ownership of the company was in a state of flux, with several existing shareholders in the process of selling their holdings. He declined to give details.

Mr Doug Sawchuk, analyst at Dominion Bond Rating Service in Toronto, said CF's debt-restructuring was likely to be simpler and less acrimonious than the plan negotiated two years ago by O&Y. CF has fewer subsidiaries, fewer tiers of creditors and fewer cross-default provisions.

However, Mr Sawchuk said that bank lenders, led by Toronto-Dominion Bank, "are a wild card". The banks hold the bulk of CF's unsecured debt.

Warm reception for Spanish utility offer

By Antonia Sharpe

Applications for the domestic retail tranche of the global share offer in Endesa, the big Spanish electrical utility, reached a level of 2½ times the number of shares available, according to initial estimates from advisers to the issue.

A total of 22.6m shares in Endesa, representing 8.7 per cent of its total equity, is being sold by Endesa's chief shareholder, Grupo Teneo, which is part of INI, the public-sector corporation. Prior to the offering, about 24 per cent of Endesa's shares were publicly held.

The size of the retail tranche had already been increased by 23 per cent earlier this week to 6.1m shares in the light of the strong interest from retail investors. Of the 500,000 retail investors who had pre-registered to buy the shares, 200,000 investors subscribed to the offer, in line with forecasts.

The strength of Spanish retail demand fulfilled Endesa's desire to widen its shareholder base, which at present is dominated by New-York based institutions. It also fanned speculation that Teneo might exercise the so-called "claw-back option" to bring additional shares from the international and US tranches to the Spanish retail tranche. Currently, 5.4m shares in the form of American depositary shares are earmarked for the US and 7.5m shares for international investors.

Endesa's share price closed yesterday at Pta6,630, up Pta30. The subscription period in Spain ended yesterday and pricing of the issue is expected to take place next week with trading starting on the next day.

NEWS DIGEST

Burma fund planned by HK group

Kerry Securities, the Hong Kong-based securities group, is to launch an investment fund focusing on Burma, Reuter reports from Hong Kong.

It hopes to raise US$50m to $100m through Myanmar (Burma) Fund, a closed-end, direct investment fund, according to Mr Richard Neville, director of corporate finance.

A total of 20m shares, targeted at institutional investors, will be issued initially at $10 each. The minimum subscription is $100,000. The fund will be launched in the first week of July and remain open throughout the month.

It will be domiciled in the Channel Islands and a listing will be sought in Dublin. Kerry Investment Management will manage the fund. Irrawaddy Advisors, a private non-governmental agency, will be investment adviser.

The fund will investing initially in tourism-related projects, infrastructure and industrial parks in Burma. Its key strategy would be co-investments with domestic entrepreneurs or overseas Myanmar or Chinese business groups.

Kerry Financial Services is controlled by Malaysian tycoon Mr Robert Kuok and Malayan United Industries.

Big jump in volume of Korean futures

Trading volume in financial derivatives by banks in South Korea more than doubled in the first quarter of 1994, Reuter reports from Seoul.

The Bank of Korea (BoK) said derivatives traded by banks dealing in foreign exchange totalled $107.1bn from January to March, up 163.1 per cent from $40.7bn a year earlier.

Derivatives are financial contracts designed to hedge the risk to underlying assets from fluctuations in interest rates, currencies and commodity prices.

Canadian food group increases earnings

Provigo, Canada's second biggest food distributor, lifted first-quarter net profits to C$10.3m (US$7.4m), or 10 cents a share, from C$3.5m (two cents) a year earlier, Robert Gibbens writes from Montreal.

Its sales were C$1.4bn, against C$1.42bn. Provigo, formerly known as Univa, has sold the last of its non-food assets. The company is 37 per cent held by the Quebec Pension Fund manager, the Caisse de Depôt.

Rhône-Poulenc builds Russian plant

Rhône-Poulenc, the French drug and chemicals group, is building a cigarette filter fibre plant in Russia, AP-DJ reports from Paris.

The Russian cigarette market is the fourth-largest in the world in volume terms, the company said.

Montreal Exchange cuts trading fees

The Montreal Exchange has followed the Toronto Stock Exchange in cutting maximum transaction fees to C$100 from C$1,000 in an effort to bolster Canadian trading of stocks interlisted in Canada and the US, Robert Gibbens writes.

The ME recently suspended transaction fees on 10-year Government of Canada bond futures to compete with the launch of a similar contract on the Chicago Board of Trade.

Texaco plans to sell oilfield in Columbia

Texaco, the US oil group, confirmed that it plans to sell an oilfield in Colombia, as well as a pipeline that connects the field to a refinery owned by the government, Reuter reports from New York.

A Texaco spokesman said the company would keep its downstream operations in Colombia. "We are not leaving the country," he said.

Industry sources said the oilfield produces about 15,000 barrels per day.

The spokesman said the planned sale was part of a programme of evaluating upstream assets.

He added that the move was not the start of a wave of divestiture.

Texaco said that it would retain a lubrication/blending operation in Colombia.

Bank of Montreal up 9%

By Bernard Simon

Bank of Montreal opened the second-quarter reporting season of Canada's "big six" banks by posting a 9 per cent rise in earnings.

The improvement was attributed largely to higher volumes and a drop in loan-loss provisions. However, it was partly offset by slimmer margins, especially in money market operations, and a 6 per cent rise in non-interest expenses.

Net income grew to C$188m (US$136.2m), or 69 cents a share, in the three months to April 30, from C$173m, or 63 cents, a year earlier.

Loan-loss provisions fell to C$157m from C$168m.

INTERNATIONAL COMPANIES AND FINANCE

Lawsuits make US groups publicity-shy

Patrick Harverson examines the background to a trend in corporate self-defence

US companies are becoming increasingly reluctant to keep investors fully informed of their prospects because of the threat of costly legal action.

The threat comes in the shape of class-action securities fraud lawsuits filed by shareholders aggrieved that the value of their stock fell when information proved inaccurate, and the increasing number of these suits has caught the eye of the regulators.

A study released last week by the American Stock Exchange found that more than 75 per cent of the companies surveyed said they had been forced to curtail the amount of information they provided to investors because of concern over lawsuits.

Companies which cut back on information to investors often do so following legal advice. Mr Bob Profusek, head of the corporate department at the law firm of Jones, Day, Reavis & Pogue, says: "Most lawyers now discourage companies from making anything like traditional projections."

Fighting class-action lawsuits can also cost companies a lot of money.

The National Economic Research Association says the average cost of settling such lawsuits has risen in the past three years from $5.8m to $7.4m.

Securities Class Action Alert, a New Jersey-based newsletter, recently estimated that companies paid $1.55bn last year to settle shareholder lawsuits, compared with just $324m in 1988.

Although any company can be the target of a shareholder lawsuit, high-tech and biotechnology companies are particular vulnerable because they need to keep investors constantly updated on technological development, patents and product innovations.

In addition, young, smaller companies are especially at risk, because their shares are more likely to fall sharply on disappointing financial news, and because they are more likely to settle rather than fight lawsuits.

In California, where there is a concentration of high-tech industry, shareholder lawsuits filed under Section 10b-5 of the Securities and Exchange Act – relating to false or misleading information – are particularly common.

According to the Coalition to Eliminate Abusive Securities Suits (CEASS), a business pressure group, Californian companies paid out a total of $502m between 1990 and 1993 to settle 10b-5 lawsuits.

Public companies are not the only ones affected by such suits. Take the case of Mr Bob Gilbertson, chief executive of CMX Systems, a small but fast-growing Connecticut high-tech company eager to raise funds on the public markets.

Mr Gilbertson says he was recently advised by investment banking firms that if he took the firm public, he would have to allocate at least $2m of the flotation proceeds to cover the almost certain possibility of having to settle a shareholder lawsuit within 12 to 18 months.

He says: "The investment bankers effectively told us to write $2m off to pay the lawyers to go away." Mr Gilbertson decided against taking the company public.

Many chief executives on the wrong end of class-action lawsuits do not blame the shareholders so much as the lawyers, who know they can force companies to settle quickly.

In the ASE study, a clear majority of the 17 per cent of the companies which said they had been sued during the past five years on disclosure issues settled out of court rather than fight the suit.

Ms Lynn Zempel, a spokeswoman for CEASS, says: "Companies say that most of the time their lawyers tell them its cheaper to settle than fight, and [the shareholders'] lawyers know that."

The financial incentive for the lawyers is considerable: the ASE survey found that nationally, the plaintiffs lawyers receive 30 cents for every dollar sought in these lawsuits, compared with just six cents for every dollar the shareholders themselves receive.

But the growing instances of shareholder lawsuits has attracted the attention of regulators and legislators.

The Securities and Exchange Commission, concerned that companies may be shying away from fuller disclosure because of the lawsuits, is considering bolstering the "safe harbour" provision of US securities law.

The provision protects companies from fraud claims unless the information they release is "without a reasonable basis or was disclosed other than in good faith".

In recent years, however, companies claim the safe harbour provision has not been working effectively. Its weakness is that companies usually have to go through an expensive and time-consuming pretrial process before a judge rules on whether the information is protected by safe harbour. Consequently, companies can rack up huge legal fees even if the lawsuits are ultimately dismissed.

While the SEC does not want to deter shareholders from seeking legal redress if they genuinely believe they have been deceived, it is keen to ensure the system is quick to weed out meritless cases.

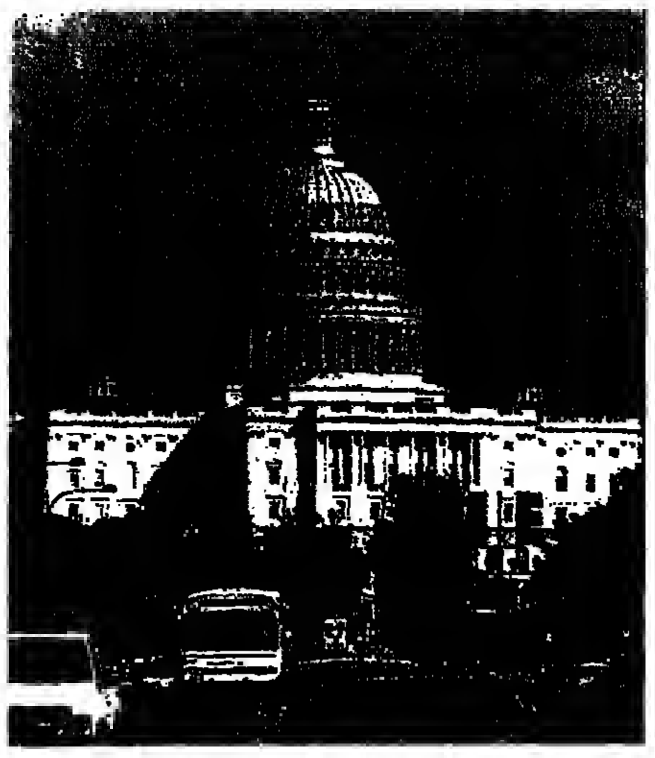
Ms Linda Quinn, director of the SEC's corporation finance division, says: "We're exploring what can be done so that the type of information intended to be covered by safe harbour is covered, and that the safe harbour works to the benefit of companies.

"Right now, what they will argue is that even if the information is ultimately decided to be within the safe harbour [provision], you have to litigate through an entire case to get there. The question is: are there ways to make the rule work so that it could be decided earlier in the case?"

While the SEC reviews the safe harbour provision, legislators in Washington DC are also seeking ways to give companies more protection. Bills which would give companies greater help in their defences against frivolous shareholder lawsuits have been tabled in the Senate and the House of Representatives.

The bills include measures to allow judges to make quicker decisions on the merits of individual cases, to halt the use of "professional plaintiffs" with only nominal shareholdings and to cut attorney's fees.

Introducing any legislation that protects corporate defendants from lawyers is always going to be an uphill task in the US, however, and securities lawyers have vowed to fight the Dodd bill. They claim shareholders need all the protection they can get from deceptive companies.



Terry Kirk

Capitol Hill: Seeking ways to give companies more protection

Indian paper backlog almost cleared

By Stefan Wagstyl in New Delhi and Naazneen Karmali in Bombay

Banks handling the stock market paperwork for foreign portfolio investors in India have mostly cleared the backlog which threatened to overwhelm the country's primitive stock settlement and transfer system.

However, the banks, which provide custodial services to overseas fund managers, are keeping a tight check on the business they handle. Existing clients are being told to limit purchases; new clients are being asked to wait until processing capacity is increased over the next few months.

The paperwork problems stem from woefully outmoded procedures geared mainly toward millions of individuals buying as few as 10 or 100 shares, not institutions purchasing lots of 100,000. A single large purchase can generate a trunk-full of share certificates and transfer forms which must be processed manually.

Hongkong and Shanghai Banking Corporation, the biggest provider of custodial services for foreign clients, says its backlog was cleared at the end of March; clients who were asked to stop trading are now permitted to resume with limited amounts. New clients are not yet being accepted.

A foreign fund manager says: "The custodial problem is the single largest speed-breaker on foreign institutional investment on the Indian stock market today. At the end of 1993, custodians imposed limits on clients. Today, they claim that they have licked the problem, but there has been no public announcement to this effect and the limit still exists."

The fund manager estimates the limit to be about US$3m a month per client. Given that specialised India funds have raised US$100m and more, this is very tight, although fund managers do have the option of investing in Indian company euro-issues.

Mr Samir Arora, vice-president of the Indian affiliate of the Alliance Capital fund management group, says: "We have earmarked 5 per cent of our US$1bn Global Privatisation Fund for India. We could, if allowed to, easily invest US$100m in the next few weeks, but we cannot."

Partly because of these difficulties, Indian foreign portfolio investment has slowed in recent months, though fund managers have also been influenced by the worldwide correction in stock markets.

Net investments by foreign institutions fell from $398m in January to $163m in April. Total cumulative investment at the end of April was $1.77bn – up from almost nothing a year ago.

Hongkong Bank, Citibank and Standard Chartered Bank are increasing custody staff to boost capacity. Stock Holding Corporation of India, a company created by Indian financial institutions, could take on more business but its capital is too small to satisfy the security needs of most foreign fund managers.

State Bank of India and ICICI, two leading institutions, are also establishing custodial services, but foreign fund managers are reluctant to entrust the work to Indian banks they scarcely know.

The extra capacity will permit only steady increases in trading volumes and faster growth will require a radical overhaul of the trading system. The goal is a paper-less trading system, which is under development by Indian banks but still far from complete.

Thai business daily planned

By William Barnes in Bangkok

Singapore Press Holdings, the owner of the Straits Times, is linking up with a Thai partner to produce a regional business newspaper callad Business Day, which it plans to launch in Bangkok next January.

The paper's editor and managing director, Mr Chatchai Yanbamroong, said: "We expect 70 per cent of our readers to be local. Thai businessmen are not well equipped with knowledge of regional matters; they are at a disadvantage to their counterparts in Hong Kong and Singapore."

The Thai Premier Publishing Group will hold 51 per cent of the paper, Singapore Press Holdings 35 per cent and United Cinema Holding and Management, a subsidiary of the Crown Property Bureau, 11 per cent. The Population and Community Development Association, an independent group run by the anti-Aids campaigner Mr Mechai Viravaidya, will take a 3 per cent stake.

The paper, which is in the process of recruiting 60 reporters, mostly Thai, and about 10 foreign subeditors, will attempt to keep costs low by contracting out printing.

The falling price of desktop publishing equipment will allow the company to spend just Bt10m ($0.4m) in the start-up period. The 16 to 20-page product, with a target circulation of 15,000 to 20,000, should hit Thailand, Hongkong, Singapore, Kuala Lumpur, Jakarta, Ho Chi Minh City and Manila next January.

Swiss mouse maker recovers

Logitech, the world market leader in tracking devices (mice) for computers, continued its strong recovery in the year ended March, writes Ian Rodger from Zurich.

Net income more than trebled to SFr27.8m ($19.8m), but was inflated by a SFr15.9m gain on the sale of shares and options in a Canadian affiliate and moderated by an exceptional SFr6m depreciation charge and SFr2.6m in restructuring charges.

Revenues jumped 17.1 per cent to SFr484.2m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 27.05.94: Pool purchase price £/MWh	Final Prices for Trading on 25.05.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.29	10.90	10.90
0100	12.29	10.95	10.95
0130	13.20	10.95	10.95
0200	13.20	11.06	11.06
0230	13.28	11.06	11.06
0300	13.28	11.06	11.06
0330	12.29	11.00	11.00
0400	12.29	10.95	10.95
0430	12.29	10.95	10.95
0500	12.29	10.90	10.90
0530	13.34	10.95	10.95
0600	13.34	10.95	10.95
0630	13.24	10.95	10.95
0700	20.87	13.21	13.21
0730	23.35	20.63	23.04
0800	24.19	24.14	26.66
0830	24.07	41.71	44.23
0900	26.90	41.72	44.23
0930	26.90	41.72	44.23
1000	26.90	41.72	44.23
1030	26.90	25.33	27.84
1100	26.90	25.33	27.84
1130	26.81	25.33	27.84
1200	26.81	24.71	27.22
1230	26.30	24.23	[illegible]
1300	26.28	24.15	26.66
1330	24.19	24.15	26.66
1400	24.05	21.49	24.00
1430	24.05	21.49	24.00
1500	23.50	21.49	24.00
1530	23.80	21.49	24.00
1600	23.06	21.49	24.00
1630	23.66	21.49	24.00
1700	20.99	21.49	24.00
1730	20.99	21.49	24.00
1800	26.90	21.49	24.00
1830	23.95	21.49	24.00
1900	23.19	21.49	24.00
1930	22.53	21.49	24.00
2000	22.09	12.70	12.70
2030	21.70	12.70	12.70
2100	21.06	19.13	21.63
2130	23.69	20.50	23.01
2200	20.50	20.50	23.01
2230	20.50	20.63	23.04
2300	20.49	13.71	16.22
2330	20.95	11.17	11.17
2400	21.05	11.05	11.05

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INTERNATIONAL COMPANIES AND FINANCE

Bad debt crisis worsens at Japanese banks

By William Dawkins
in Tokyo

Bad loans overshadowing Japan's 11 leading commercial banks are growing faster than they can be written off, on the evidence of the industry's annual results, published yesterday.

The 11, which provide just under one third of lending to Japan's sluggish economy, took drastic action to reduce their non-performing loans last year.

But the signs are that it was not enough to improve their balance sheets.

They wrote off Y2,480bn ($24bn) of bad loans in the 12 months to March, two-and-a-half times more than the previous year. On top of this, the commercial banks made provisions worth Y2,102bn, e 44 per cent rise on last year's provisions of Y1,459bn, and sold Y1,325bn of bad debts to the Co-Operative Credit Purchasing Company, a jointly-owned debt buying organisation set up in January last year. As e result of these hefty charges, pre-tax profits fell for the fifth year running, by an average of 41.6 per cent.

This collective attempt to clean up their the balance sheets is a belated response to the central bank's campaign to persuade the industry to break with its tradition of sitting on bad debts indefinitely.

Yst, despite their efforts, the commercial banks' published bad debts rose both in absolute terms – from Y8,435bn last year to Y8,948bn by the end of March – and as s proportion of total lending – from 3.1 per cent to 3.3 per cent over the same period.

The published bad debt total is down 3 per cent from the balance half-way through the year, at the end of September, prompting bank officials to suggest that the worst is over. But as in previous years, the published figures understate the size of the problem, because they only include loans to bankrupt companies or loans where no interest has been received for six months. They exclude restructured loans, where interest has been shaved to almost nil to keep e weak customer alive, or loans by non-bank affiliates for which the parents are responsible.

Together, these could nearly double the published figure according to the most pessimistic independent estimates.

The disturbing message behind this is that Japan's deep recession is adding a new tier of debt problems, loans to ailing small companies, on top of the dud property-backed loans inherited from the post-bubble collapse in property prices.

Equally worrying, the commercial banks covered between one third and half of those write-offs by selling and repurchasing securities, so as to record a capital gain. This is bound to increase their dependence on low-yielding assets, warns Ms Alicia Ogawa, equities analyst at Salomon Brothers Asia.

Within this, however, the commercial banks yesterday demonstrated wide differences in their state of health and the aggressiveness with which they are tackling their loans.

This is a sign that Mr Yasushi Mieno, governor of the Bank of Japan is making continued progress in his campaign to persuade the industry to break with its "convoy" tradition, whereby banks reported similar results in an attempt to buoy public confidence.

Mitsubishi Bank, the strongest, revealed non-performing loans worth just 1.84 per cent of total lending, while Hokkaido Takushoku, declared 6.85 per cent and Sakura Bank 4.03 per cent.

Japanese commercial banks: Year to March 1994

Bank	Net profit (Y bn)	Change (%)	Business profit (Y bn)	Change (%)
Sakura	34.8	-23.2	207.4	-23.5
Fuji	26.7	-13.9	362.1	+15.6
DKB	32.4	-38.9	235.5	-0.8
Sumitomo	33.3	+137.8	302.3	-11.5
Mitsubishi	29.4	-37.4	283.5	-15.7
Sanwa	52.3	-22.1	358.0	-3.3
Tokai	20.7	-0.5	180.2	-3.4
Asahi	20.7	-1.3	165.4	+13.1
Daiwa	13.0	-22.6	70.2	-2.3
Hokkaido Takushoku	4.1	-46.9	32.0	-17.7
Tokyo	50.4	+17.0	185.1	-8.6

Source : Company reports

The impression the banks aimed to give yesterday is that they have got to grips with their weaknesses and that there is light et the end of the tunnel. In e symbolic act of penitence, board directors of three banks, Dai-Ichi Kangyo Bank, Hokkaido Takushoku and Sumitomo, are to forego bonuses this year because of their institutions' poor earnings.

Most predicted flat profits in the coming year, though again there were significant differences between banks. Mitsubishi, which surprised the market with a 15.7 per cent decline in its core business (or operating) profits – far below than the average 5.3 per cent decline – said it did not expect profits to rise this year. Sumitomo, with business profits down 11.5 per cent, forecast stable earnings.

Sakura, by contrast, forecast e recovery from its 23.5 per cent profits decline, to the bafflement of several analysts. "I just can't see where it's going to come from," said Mr Brian Waterhouse, banking analyst et James Capel in Tokyo.

Generally, the industry outlook is tough. Demand for loans remains very weak, as shown by e 1.5 per cent in total lending last year. Anecdotal evidence suggests that the market for creditworthy customers is aggressive.

Salomon's Ms Ogawa estimates that 17 per cent of the commercial banks' liabilities are linked to the record low official discount rate and pay less than 1 per cent. If the central bank succumbs to pressure to cut the official rate, this will hardly help banks' profit margins.

Faint glimmer of hope in electricals

By Michiyo Nakamoto
in Tokyo

Japanese electrical companies : Year to March 1994 (Y bn)

Company	Consolidated sales	Parent sales	Consolidated pre-tax	Parent pre-tax	Consolidated net	Parent net
Fujitsu 1993-94	3,139.3	2,172.9	44.1	28.9	-37.6	17.0
1992-93	3,461.8	2,397.5	-16.1	-8.7	-32.5	-7.3
Hitachi 1993-94	7,400.0	3,739.5	228.4	71.8	65.3	45.9
1992-93	7,536.2	3,811.5	234.7	78.1	77.3	57.4
Mitsubishi Elec. 1993-94	3,105.4	2,394.0	71.4	30.0	20.6	11.5
1992-93	3,260.3	2,493.6	79.5	32.3	28.5	22.0
NEC 1993-93	3,579.8	2,899.3	25.1	31.8	6.6	16.7
1992-93	3,514.9	2,869.5	-37.7	18.1	-45.2	16.5
Toshiba 1993-94	4,630.5	3,256.2	90.2	53.7	12.1	31.4
1992-93	4,627.5	3,150.6	85.9	54.8	20.6	25.3

Source : Company reports

Japan's integrated electrical companies, with products ranging from heavy electrical machinery to semiconductors and sudio-visual goods, have suffered badly in the depression of recent years. Last year some were forced to report their third or fourth year of falling profits.

But a glimmer of hope has appeared as they reported still weak but, in some areas, improving results for the year to last March.

Mixed fortunes have also been evident along sector as well as company lines.

Whst seved many and enabled some to report better results, was strong demand in the US for computers – which in turn supported buoyant sales of semiconductors – firm sales of components in south-east Asia, demand from domestic public utilities and the companies' own cost-cutting efforts.

With economic slump damaging core business, companies' overseas earnings have been battered by strong yen. Every Y1 rise of the Japanese currency's value lops off Y1.5bn off sales at NEC, the company said.

Psrsistent weakness in domestic private capital spending, slow consumer demand and fierce price competition put s damper on sales of many mainline products.

In compnters, Fujitsu and NEC, for example, suffered decreases in expensive items, such as mainframes and minicomputers.

Fujitsu, which is Japan's largest computer manufacturer and the world's second-largest (after IBM), saw demand for its computers decline by 10 per cent in the domestic market, under severe price pressure. Orders for minicomputers were almost half the previous year.

NEC saw shipments of minicomputers drop 26 per cent, with office servers and mainframes down 9 per cent and 7 per cent respectively.

Consumer electronics was another sector which dragged down sarnings. Sales of air conditioners dropped as a result of Japan's unusually cold summer last year, while audio-visual equipment suffsred intensifying price competition amid the market slump.

NEC Home Electronics, the company's struggling consumer electronics division, reported e loss of Y8.7bn – although this was an improvement over its Y16.7bn loss previously.

Mitsubishi Electric suffered e 12 per cent drop in consumer products, and Toshiba saw an 8 per cent fall. Fujitsu's car audio division reported an 11 per cent fall in sales, largely the result of the domestic slump in cars.

On the positive side were strong overseas markets and sales of e few specific products.

In the US, there was a strong rise in sales of semiconductors and liquid crystal displays (LCDs). The growing popularity of advanced software such as Windows, which use more memory capacity, meant that demand for semiconductors rose more than PC sales.

The shift to colour notebooks increased demand for LCDs, a sector dominated by Japanese manufacturers. Toshiba, which uses colour for more than half its notebooks, said demand for LCDs was so strong it could not be fully met. NEC's US subsidiary, which makes electronic devices, saw sales surge more than 70 per cent.

The US market also pleased Toshiba with strong demand for its notebook and sub-notebook computers.

Demand for electronic devices from sonth-east Asia was another positive factor. Toshiba reported e 9 per cent increase in exports, despite the yen's appreciation, due largely to strong south-east Asian demand for semicondnctors and other components.

Public utility investment helped support the companies' heavy electrical machinery divisions, with Mitsnbishi Electric seeing sales rise 7 per cent.

Efforts to reduce costs were e significant factor where there was an improvement. For NEC, which fell into consolidated pre-tax loss the previous year, a return to profit was achieved partly by cutting selling, general and administrative costs by 5 per cent.

Prospects for the year ahead are still uncertain. Most companies expect a slow and gradual recovery in Japan, rather than a strong rebound.

However, there are sectors which promise continuing strength and many electricals are planning aggressive investment in those areas in the hope of reaping further benefits.

NEC, for example, is investing a further Y125bn in electronic devices, a level that is close to the company's 1992 investment peak of Y131bn. Toshiba is investing Y90bn in semiconductors alone.

Kubota posts 55% rise in profits

By Gerard Baker

Kubota Corporatiou, Japan's leading manufacturer of farm equipment and iron pipes, increased turnover by 4.2 per cent and profits by 55 per cent for the year to March 31.

Group pre-tax income rose to Y27.3bn ($261m) on sales up at Y979.5bn. After taxation and other charges, earnings rose 47 per cent to Y8.2bn.

Domestic turnover grew 5.8 per cent, despite weak private sector demand that cut sales of industrial castings and pipes.

The loss was more than offset by higher sales for the company's environmental control equipment and building materials divisions, the resnlt of an increase in public sector construction projects following successive government psckages to stimulate the economy.

Sales of internal combustion engines were stable despite a cool summer and the partial liberalisation of rice imports.

Overseas sales were depressed by the sharp appreciation of the yen, falling by 3.7 per cent to Y155.9bn despite strong growth in the US.

The parent compsny announced s 6.5 per cent decline in pre-tax profits, to Y28.1bn, on turnover lower by 0.6 per cent at Y744bn. For the current year, Kubota expects a gradual economic recovery to lift unconsolidated pre-tax profits by 7 per cent, on sales higher by 2 per cent.

Minolta Camera back in black at Y258m

By Emiko Terazono
in Tokyo

Minolta Camera, the Japanese camera and precision instrument manufacturer, returned to the black for the year to March 31, thanks to cost cutting and an increase in dividends from subsidiaries.

The company posted unconsolidated pre-tax profits of Y258m ($2m), compared to s loss of Y13.6bn the previous year.

Sales fell 6.1 per cent to Y184.3bn, with falling domestic demand due to the prolonged recession and the appreciation of the yen. After-tax profits were Y530m.

Sales at Minolta's office automation machinery division fell 10 per cent to Y115.7bn, but camera sales rose 6.4 per cent to Y68.6bn. Overall exports declined 5.8 per cent to Y141.6bn due to the higher yen.

The company said it would forego e dividend payment, as in the previous year, and retain profits for its financial restructuring.

For the current year, the company forecasts a rise in parent pre-tax earnings to Y1bn, on a 2.7 per cent rise in sales to Y189bn.

● Minolta Camera will change its name to Minolta Co from July 1, Reuter reports from Tokyo. The change would more correctly reflect the company's current activities, Minolta said.

Minolta was founded in 1937 as e camera maker but has diversified widely into information equipment.

Its Jspanese name would be changed to Minoruta Kabushiki Kaisha from Minoruta Kamera Kabushiki Kaisha.

Yasuda Trust to set up securities subsidiary

By William Dawkins

Yasnda Trust and Banking yesterday announced that it planned to become the third Japanese trust bank to set up a securities subsidiary, the latest step in the industry's gradual deregulation.

Yasuda, the fourth-largest trust bank – which traditionally specialise in managing clients' assets – said it would open the new unit by the end of June at the earliest.

Under a relaxation in rules made in April last year, trust banks and long-term credit banks are allowed to launch subsidiaries to issue convertible and warrant bonds – but not deal in them – and to deal in straight bonds. This privilege was extended early this year to the powerful city banks.

So far, the finance ministry has licensed five banks to set up securities subsidiaries, in line with its strategy of cautious deregulation.

Siam Cement up 107%

By William Barnes
in Bangkok

Siam Cement, Thailand's largest domestic conglomerate, reported s 107 per cent year-on-year rise in first-quarter consolidated net profits to Bt1.44bn ($57m).

Parent net profits rose 85 per cent to Bt1.07bn, and earnings per share were Bt12.1 and Bt8.96 respectively.

Mr Gerard Kruithof, an investment analyst at Peregrine Nithi Finance and Securities, said: "Profits were likely to break out. The expansion in 1992 and 1993 depressed the bottom line: the added capacity wasn't running et full steam and they have an aggressive depreciation policy."

Siam Cement, which accounts for half the cement sold in Thailand, is spending Bt5.7bn to expand its Thungsong plant in Saraburi province by 2.1m tonnes a year to maintain market share.

Mitsubishi Metal slumps to Y2.6bn

By Gerard Baker
in Tokyo

Prolonged recession, unstable weather and a strong currency combined to reduce profits at Mitsubishi Materials, the Japanese metals and cement manufacturer, in the year to the end of March. Unconsolidated pre-tax profits slumped 74 per cent to Y2.6bn ($25m) on turnover down 8.2 per cent at Y682bn.

The difficult operating climate saw sales of most products tumble, with particularly sharp declines for copper, cement and processed goods. Unseasonably cool summer weather hit aluminium can production, while the 14 per cent appreciation of the yen in the period cut exports. Gold was the only division to increase sales as world demand remained buoyant.

The company is implementing a restructuring programme that will see its workforce fall by 10 per cent by 1996. Lower capital expenditure and other economies ars expected to reduce costs by about Y10bn over the period.

This reorganisation, together with a gradual recovery in the Japanese economy, is expected to yield improved results in 1994-95. The company forecast a 3 per cent increase in turnover and a rise of 16 per cent in pre-tax profits.

European sector returns to calmer waters

By Conner Middelmann and Graham Bowley in London and Frank McGurty in New York

Europe's bond markets returned to calmer waters after the recent days' turbulence, but traders said sentiment was nervous and market participants were too shell-shocked to take significant positions.

"The market is shaky – it's hanging in a very delicate balance," said Mr Peter Kerger, head of futures and options at NatWest Markets in Frankfurt.

After Wednesday's sell-off, which sent the German bund future plunging to its year's low, prices clawed back some of their losses, helped by a firmer tone in the US Treasuries market, but the recovery was without conviction, traders said. One said dealers at some banks had been instructed not to run positions overnight, and to keep intra-day positions to a minimum.

The June bund future ended the day some 0.20 points higher at 93.75. It derived little comfort from preliminary inflation numbers showing western Germany's cost of living below the 3 per cent level for the first time in three years at 2.9 per cent. "After recent regional data, this came as no surprise," said a dealer.

■ Bearish sentiment continued to dominate the UK government bond market yesterday, although it recovered in later trading – buoyed by the recovery in US and German markets.

Analysts said traders continued to test new low levels of technical support but one trader said the weakness, particularly at the long end, was caused by the release of "a substantial line, probably in excess of £200m nominal, of very long-dated stock on to the market". Other traders reported fairly heavy selling of gilts of all types.

After opening slightly higher, gilts slipped back through the levels reached yesterday to new lows, analysts said. They recovered in late trading, when the long gilt future was up ¼ point at 103$\frac{11}{32}$.

GOVERNMENT BONDS

■ Sweden was Europe's only bright patch. Bonds and the currency rallied smartly after the central bank announced a new system for steering short-term interest rates based on a repo rate, rather than its current key marginal rate.

The Riksbank set the repo rate at 6.95 per cent, five basis points below the previous marginal lending rate, and the floor rate at 6 per cent. At a press briefing, Riksbank governor Mr Urban Backstrom said the level of the floor, or deposit, rate indicated that "the [interest rate] trend is still downwards".

"They now have much more scope to cut rates in small dribbling moves," said Mr Keld Holm, international economist at Lehman Brothers. He expects short rates to fall by around 50 basis points in coming months, which is likely to boost bonds and the krona, he said.

■ Most US Treasury bonds held steady yesterday morning as the market failed to build on gains built up following the previous afternoon's successful supply auction.

By midday, the benchmark 30-year government bond had inched $\frac{1}{32}$ ahead to 86¾, with the yield dipping to 7.341 per cent. At the short end, the two-year note edged $\frac{1}{32}$ higher to 99$\frac{31}{32}$, to yield 5.892 per cent.

Early in the session, activity was light and sporadic, with many traders on the sidelines. A flurry of buying followed the announcement that initial claims for unemployment benefit had slipped by 1,000 last week. Forecasts centred on a decline of 7,000, which would have signalled a tighter labour market and more upward pressure on wages.

Activity petered out as the market digested an upturn in prices following Wednesday's Treasury auction of $11bn in new five-year notes. Traders had anticipated difficulty in absorbing the fresh supply, but when those fears proved unfounded, the market rallied.

Yesterday, however, profit-takers came to the fore, even though there was more favourable news from the Commodity Research Bureau. Its index of 21 commodity prices receded further, after a disconcerting surge late last week.

IADB drops borrowing requirement to $2.8bn

By Conner Middelmann

The Inter-American Development Bank, the multilateral bank whose purpose is to further the economic and social development of Latin America and the Caribbean, plans to raise some $2.8bn in the international capital markets this year, significantly less than the $3.3bn forecast at the beginning of the year.

The borrowing requirement has been revised downwards due to a slower pace of loan disbursements, a lack of advantageous redemption opportunities and the fact that the IADB had less maturing debt than in 1993, when it raised $3.9bn, said Mr Charles Sethness, finance manager.

However, the borrowing requirement will return to around $4bn to $4.5bn in 1995, he stressed.

The IADB has raised some $500m so far this year in four different currencies. It plans to issue "one or two significant-size" US dollar deals and a DM500m deal later this year, but there are no immediate issuance plans while the bond markets remain volatile. "Our cash position is quite comfortable," Mr Sethness said.

After lending $5.5bn of funds in 1993, lending was not likely to exceed $6bn in 1994.

The IADB's shareholders recently agreed to allow it to lend to the private sector without government guarantee, limiting this exposure to 5 per cent of new loans. Although the bank will be exposed to commercial risk for the first time, Mr Sethness was confident it would not threaten the IADB's triple-A rating since this lending would be "at a marginal level and on an experimental basis".

Moody's warns on Latin America

By Antonia Sharpe

Moody's Investors Service, the international rating agency, warns in a report on sovereign risk that old vices are surfacing once again in Latin America.

Although Moody's has recognised the fiscal improvement and the success of economic reform in Latin America through some rating upgrades, it nevertheless believes that these countries remain highly indebted and structurally biased towards consumption.

National debt is rising again noticeably and the fiscal balance has deteriorated in some cases, notably Venezuela, it adds. Although the potential for growth has improved, the risk of running into debt service problems remains high.

"After a decade of economic crisis, growth rates have been only moderately high and the income distribution of these countries has not improved significantly," Moody's says. It forecasts problems arising from the reversal in the rapid inflow of capital in recent years (in Argentina and Mexico) and says the considerable potential for political change adds a further degree of uncertainty to the future of the region.

The report, which assesses the credit quality outlook for 45 sovereign nations, highlights negative factors which could harm the low-risk credit ratings of advanced industrial nations. These developments, such as high fiscal deficits, the rapid accumulation of public debt, slow economic growth and declining international competitiveness will force painful economic adjustment but in most cases, the adjustment is not expected not be severe enough to move them into the medium-risk rating categories.

By contrast, Moody's is positive about the outlook for Asian nations, citing credit strengths, strong export-driven economic growth, high savings and investment rates and moderate indebtedness in proportion to prospects for continued strong export earnings. However, upgrades into the low-risk rating categories will be constrained by the possibility of political instability and regional conflict and the potential for disruptive social change as social demands rise.

Abbey National swaps Y30bn deal into dollars

By Antonia Sharpe

New issues in the eurobond market were scarce yesterday with Wednesday's resurgence of volatility in the bond markets scaring off issuers and investors.

INTERNATIONAL BONDS

As a result, attention focused on Abbey National's Y30bn offering of three-year eurobonds, the proceeds of which were swapped into floating-rate dollars.

When the deal hit the screens, the pricing and the swap rates at the time led many syndicate managers to believe that the bank had missed its funding target by a wide margin, fanning talk of a subsidy on the swap.

This was hotly denied both by joint lead manager Merrill Lynch and by Abbey. Mr Jonathan Nicholls, director, corporate finance and capital markets at Abbey, said the deal had been in the works since Tuesday and that the pricing and the swap had been set on Wednesday. "We are not in the business of asking for or getting subsidies," he said.

CCDQ, Quebec's co-operative banking movement, saved at least 15 basis points by raising C$100m of five-year debt in the eurobond market rather than the domestic bond market.

Lead manager Wood Gundy said CCDQ has a strong retail following in the eurobond market and by the end of the day, around one-third of the issue had been placed. When the bonds were freed to trade, the spread was largely unchanged.

The spread on Ford Motor Credit's $150m offering of three-year debt launched on Wednesday was steady at around 45 basis points due to ongoing demand from European retail investors, attracted by the 6% per cent coupon.

Bacob Bank, Belgium's eighth-largest credit institution, could well tap the eurobond market in the near future following the signing yesterday of a $1bn multi-currency medium-term note programme, arranged by Morgan Stanley.

● The International Securities Market Association (ISMA), the eurobond market's trade association, is expected to announce a reduction in the settlement period for eurobonds at its annual general meeting next Thursday in New Orleans. From June 1 1995, eurobonds will settle after three working days rather than the current five days.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
YEN							
Abbey Natl.Treas.Services(a)	30bn	3.35	100.20R	Sep.1997	0.20R	-	Merrill Lynch/Sanwa Intl.
Sudwestdeutsche LB(d)	10bn	(d1)	100.00	Jun.1997	undisc.	-	Morgan Stanley Intl.
SBAB(b)	10bn	2.81	100.20R	Jul.1998	0.20R	-	Merrill Lynch International
CANADIAN DOLLARS							
CCDQ(e)	100	8.625	99.90R	Dec.1999	0.275R	+44 (7¾%-99)	Wood Gundy
ITALIAN LIRE							
Cariplo, London Branch(c)	150bn	9.875	100.77	Jun.2004	2.00	-	Cariplo
SWISS FRANCS							
General Electric Capl.Corp.★	100	4.50	101.375	Jun.1997	1.25	-	Banque Paribas (Suisse)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. R: fixed re-offer price; fees are shown at the re-offer level. a) Short 1st coupon. b) Long 1st coupon. c) Callable on 30/6/96 and annually thereafter at par. d) Callable on 27/6/95 & 96 at par. d1) 2.7% to 27/6/95, then 3% to 27/6/96 and 3.3% thereafter

Representative office in Beijing for Lehman Bros

By Tony Walker in Beijing

Lehman Brothers, the US investment bank, has opened a representative office in Beijing providing more evidence of the involvement of American financial houses in China.

Mr Sherman Lewis, Lehman Brothers' vice-chairman, said the company would involve itself in fund-raising for infrastructure projects, the marketing of "various debt instruments" and assisting with public offerings for larger enterprises.

Lehman acted as sole agent for the Construction Bank of China in a private placement of debt securities in the US last August. It lead-managed last October's $300m dragon bond and is assisting a large Chinese corporation in a public offering.

The US investment house plans to open an office in Shanghai by the end of the year.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	102.3900	-2.260	9.11	8.46	8.16
Belgium		7.250	04/04	96.8000	-0.280	7.72	7.36	7.45
Canada *		6.500	06/04	86.8000	-0.050	8.49	8.25	8.05
Denmark		7.000	12/04	95.0000	-0.100	7.70	7.19	7.19
France	BTAN	8.000	05/98	105.8250	+0.130	6.38	6.00	6.22
	OAT	5.500	04/04	89.0900	+0.400	7.07	6.88	6.81
Germany		6.750	05/04	89.1500	+0.260	6.87	6.51	6.62
Italy		8.500	01/04	93.9000	-0.100	9.48†	9.10	9.00
Japan	No.119	4.800	06/99	107.6390	-	3.08	3.15	3.41
	No 157	4.500	06/03	105.2140	-	3.73	3.73	3.98
Netherlands		5.750	01/04	91.6400	-0.220	6.97	6.54	6.61
Spain		10.500	10/03	105.0000	-0.150	8.66	9.40	9.28
UK Gilts		8.000	08/99	92-10	-5/32	7.89	7.43	7.55
		8.750	11/04	89-16	-	8.26	7.80	7.87
		9.000	10/08	105-05	-5/32	8.37	7.92	8.00
US Treasury *		5.875	02/04	91-15	+18/32	7.10	7.06	6.92
		6.250	08/23	86-27	+30/32	7.35	7.29	7.20
ECU (French Govt)		6.000	04/04	89.3700	-0.060	7.56	7.07	7.27

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	7¼				
Broker loan rate	5½				
Fed.funds	4¼				
Fed.funds at intervention	4¼				

Treasury Bills and Bond Yields

One month	4.00	Two year	5.92
Two month	4.21	Three year	6.28
Three month	4.26	Five year	6.66
Six month	4.74	10-year	7.09
One year	5.20	30-year	7.35

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	119.22	119.42	+0.32	119.50	118.86	246,580	109,021
Sep	118.24	118.46	+0.30	118.44	118.00	11,802	25,018
Dec	117.36	117.58	+0.30	117.46	117.06	742	7,461

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
119	0.42	1.57	-	-	2.15	-
120	-	1.13	-	0.58	2.68	-
121	-	0.82	-	1.58	3.29	-
122	-	0.54	0.64	-	4.00	-
123	-	0.34	-	-	-	-

Est. vol. total, Calls 29,626 Puts 80,184 . Previous day's open int., Calls 309,904 Puts 372,416.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.75	93.61	+0.06	93.83	93.38	149318	132601
Sep	93.31	93.14	+0.08	93.31	92.97	8125	36323
Dec	92.70	92.79	+0.03	92.95	92.70	126	192

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9300	1.00	1.29	1.54	1.84	0.66	1.15	1.40	2.05
9350	0.75	1.03	1.29	1.61	1.11	1.39	1.65	2.32
9400	0.55	0.80	1.07	1.42	1.41	1.66	1.93	2.63

Est. vol. total, Calls 12503 Puts 33486. Previous day's open int., Calls 112320 Puts 111794

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.45	99.30	+0.07	99.45	99.26	367	1258

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109.90	110.02	+0.34	110.43	109.31	57667	68528
Sep	109.15	109.12	+0.19	109.54	109.70	5080	14896

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10900	2.36	3.29	2.24	3.17
10950	2.10	3.05	2.48	3.43
11000	1.86	2.82	2.74	3.70

Est. vol. total, Calls 2807 Puts 4435. Previous day's open int., Calls 11059 Puts 7960

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.15	95.94	+0.02	96.29	95.79	54,128	118,461
Sep	95.60	95.44	-0.29	95.60	95.35	2,555	12,355

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103-20	103-11	+0-01	103-25	102-23	99878	104250
Sep	102-19	102-11	+0-04	102-21	101-23	32102	18558

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
102	2-32	3-00	2-10	3-42
103	3-00	2-36	2-42	4-14
104	1-37	2-12	3-15	4-54

Est. vol. total, Calls 10104 Puts 1972. Previous day's open int., Calls 22544 Puts 12354

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	86.32	86.34	+0.02	86.50	86.00	3,012	10,081

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-15	104-23	+0-11	104-25	104-12	448,187	330,761
Sep	103-10	103-26	+0-12	103-28	103-14	11,691	100,960
Dec	102-30	103-05	+0-09	103-05	102-27	1,129	34,787

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	114.01	-	-	114.10	113.98	211	0
Sep	113.39	-	-	113.47	113.32	2078	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu May 26	Day's change %	Wed May 25	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	122.77	-0.14	122.93	2.05	4.34
2 5-15 years (22)	142.27	-0.02	142.30	2.14	5.32
3 Over 15 years (9)	159.39	-0.24	159.77	3.03	4.06
4 Irredeemables (6)	181.34	-0.01	181.35	1.01	6.12
5 All stocks (61)	139.80	-0.10	139.93	2.27	4.82

	Low coupon yield May 26	Low May 25	Low Yr. ago	Medium coupon yield May 26	Medium May 25	Medium Yr. ago	High coupon yield May 26	High May 25	High Yr. ago
5 yrs	7.92	7.87	7.11	8.14	8.08	7.34	8.21	8.14	7.56
15 yrs	8.28	8.30	8.03	8.40	8.39	8.43	8.70	8.72	8.70
20 yrs	8.26	8.27	8.26	8.40	8.39	8.54	8.34	8.55	8.75
Irred.†	8.28	8.29	8.62						

Index-linked	Thu May 26	Day's change %	Wed May 25	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	185.19	-0.02	185.21	0.74	2.53
7 Over 5 years (11)	175.05	-0.31	175.61	1.17	1.89
8 All stocks (13)	175.22	-0.28	175.72	1.12	1.77

	Inflation 5% May 26	May 25	Yr. ago	Inflation 10% May 26	May 25	Yr. ago
Up to 5 yrs	3.73	3.71	2.98	2.71	2.69	2.21
Over 5 yrs	3.73	3.71	3.54	3.54	3.52	3.36

Debentures and Loans	Thu May 26	Day's change %	Wed May 25	Accrued interest	xd adj. ytd	5 year yield May 26	May 25	Yr. ago	10 year yield May 26	May 25	Yr. ago	25 year yield May 26	May 25	Yr. ago
9 Debs & Loans (76)	128.44	-0.79	129.46	1.99	4.92	9.54	9.47	8.94	9.50	9.42	9.42	9.47	9.37	9.57

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 26	May 25	May 24	May 23	May 20	Yr ago	High*	Low*
Govt. Secs. (UK)	93.69	93.78	94.70	95.54	95.92	95.08	107.04	93.20
Fixed Interest	111.78	112.74	113.59	114.50	114.73	111.54	133.87	110.92

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 25	May 24	May 23	May 20	May 19
Gilt Edged bargains	127.1	95.3	80.2	97.7	111.4
5-day average	102.3	96.7	98.7	100.7	98.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 26

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92	92¼	+½	7.77
AlbertaProvince 9⅜ 98	000	104⅞	104⅞	+⅛	6.01
Austria 8½ 00	400	105⅞	106¼	+⅛	7.19
Bank of Tokyo 8⅞ 96	100	103¼	104	+⅛	6.43
Belgium 9⅝ 98	250	109	109⅜	+⅛	7.02
BFCE 7¼ 97	150	102½	103⅛		6.71
[illegible]					
United Kingdom 7¼ 97	5500	103	103¼		6.11
Volkswagen Intl Fin 7 03	1000	96⅞	99¼	-¼	7.17
World Bank 0 15	2000	23⅞	24¼	-⅛	6.87
World Bank 5⅞ 03	3000	93⅛	93¾	+⅛	6.88
World Bank 8⅜ 96	1250	111½	112	-¼	6.35
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 0 03 £	1000	93⅞	93⅞	-⅛	8.07
Alliance Leics 11⅞ 97 £	100	100	108⅛	-⅛	7.83
British Land 8⅞ 23 £	150	86⅞	96⅞	-⅛	10.37
Denmark 6⅛ 98 £	800	95½	95¾	-⅛	8.03
EIB 10 97 £	637	105¼	100	-⅛	7.52
Halifax 10⅞ 97 £	100	108⅜	108¾	-⅛	7.70
[illegible]					

STRAIGHT BONDS: [illegible] FLOATING RATE NOTES: [illegible] CONVERTIBLE BONDS: [illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts (Lives up to Five Years)						
Treas. 10pc Ln. 1994‡‡	10.00	-	100xd		102$\frac{1}{16}$	100
Exch 12½pc 1994	12.27	4.87	104$\frac{13}{16}$	-½	104$\frac{9}{16}$	101$\frac{17}{32}$
Treas 9pc 1994‡‡	8.84	5.08	101$\frac{13}{16}$	-$\frac{1}{16}$	103$\frac{13}{16}$	104$\frac{1}{16}$
[illegible]						

● "Tap" stock. ‡‡ Tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Storehouse tops £62m and plans to expand

By Neil Buckley

Storehouse, the fast-recovering owner of the BHS and Mothercare retail chains, said yesterday it was increasing its spending to expand selling space, as it reported a fourfold increase in pre-tax profits to £62.4m.

The figures for the 53 weeks to April 2 compared with £15.2m last year, although that was after exceptional losses on disposals of £31.4m. This year's figure was depressed by an exceptional provision of £6.4m against non-repayment of loan notes in connection with the sale of a US business.

Before exceptional items, pre-tax profits increased 48 per cent from £46.6m to £68.8m. However, the shares slipped 3p to 212p.

Mr Keith Edelman, chief executive, said the economy was "steadily improving" and current sales were broadly in line with the trend of the past six months.

He added that priorities now were to increase trading space at both BHS and Mothercare. The group had identified 60 target locations for BHS on top of its current 123 stores, and planned three openings this year in Telford, Rochdale and Cambridge.

The group was also converting "fallow" space in existing stores into extra selling space.

At Mothercare, the new format designed to appeal to young children would he extended from 20 stores to 75 by the year-end.

Capital spending would rise from £46m to about £60m.

Another task was to improve supply chain management, and reduce surplus stock and costs. The group was looking at integrating more closely distribution at Mothercare and BHS.

Mr Edelman said other priorities were to improve brand awareness and loyalty, and to restore stability after the reshaping of the group in recent years.

Group turnover fell from £1.14bn to £1.05bn, although the figure for 1993 included £172m from discontinued businesses. The group operating margin rose from 5 to 6.4 per cent, in spite of a 1 per cent fall in gross margins reflecting increased markdowns and discounts at BHS, and price repositioning at Mothercare.

Sales at BHS increased from £696m to £749m, and operating profits from £44.1m to £56.2m.

At Mothercare, sales grew by 10 per cent to £282m, and operating profit doubled from £5m to £10.2m.

Earnings per share increased from 0.1p to 9.7p and a proposed final dividend of 3p gives a total of 5.5p (5p).

See Lex

Perpetual trebles to £16.5m

By Bethan Hutton

Pre-tax profits at Perpetual, the unit trust management group, trebled to £16.5m for the half year to March 31, compared with £5.09m.

The company benefited from the good performance of world stock markets in the last quarter of 1993, accompanied by strong unit trust sales.

Funds under management increased to £2.87bn, against £2.03bn, after an inflow of about £700m of net new money.

Earnings per share rose from 13.28p to 43.6p, or 39.24p fully diluted, while the interim dividend is 10p (1.8p) – the total for the full year to September 1993 was 15p.

"With increased funds under management, fees in the second half will, in the absence of a serious setback, be significantly higher than in the first half", said Mr Martyn Arbib, chairman.

Marketing expenditure was increased during the half year, in order to increase market share, but Mr Arbib said that no further rise in marketing expenditure was planned. Although this might lead to a downturn in sales volume, it should be possible to match the first half results in the second period, he said.

The company, based in Henley-on-Thames, is considering acquiring larger offices to give space for further development.

Trafalgar House in the black but gloomy

By Paul Taylor

The £13.4m interim pre-tax profit reported by Trafalgar House yesterday represented the group's first since 1990.

Over-shadowing the results were warnings from both Mr Simon Keswick, chairman, and Mr Allan Gormly, chief executive. Mr Gormly in particular cautioned that the recovery would he "slow and steady, rather than spectacular".

Operating profits in the six months were £25.3m, against £80.8m losses when the property operations showed a deficit of £102.8m.

The eogineering husiness reported lower profits.

Mr Gormly said the recession had particularly affected the group's husiness in Europe and the downturn in North Sea work had been rather deeper than expected. The division managed to maintain its order book at £2.2bn. Mr Gormly said further job cuts would be necessary.

Operating profits in the construction division were ahead at £4.4m (£1.1m) on flat turnover of £378.3m. The overall order book was maintained at £1.2bn.

The property division showed operating profits of £4.2m compared with a profit of £200,000 excluding exceptionals in the year-ago period.

● COMMENT

Although yesterday's results were lower than most analysts had expected, what really concerned them was the fact that there seems little prospect of real improvement for some time. The interim dividend was passed, but this was for administrative reasons. Similarly, although the group sustained a cash ontflow of £46m during the first half, this included the on-balance sheet refinancing of some £20m of associates' borrowings. Despite these reassurances analysts were marking down their full year pre-tax profit forecasts yesterday to ahout £50m or £55m. That might generate earnings of about 2.2p. Despite yesterday's decline tha shares are still trading on an unjustifiahly high multiple close to 40.

McLeod Russel ahead 10%

Pre-tax profits at McLeod Russel Holdings advanced 10 per cent, from £1.91m to £2.11m, in the six months to March 31. Mr Nigel Openshaw, chairman, said the benefits of reorganising Wheway, acquired in March last year, were beginning to show.

He added that further improvement from the Wheway companies could be expected in the second half in addition to the seasonal bias towards the period.

Turnover for the group, which has interests in surface coatings, environmental engineering and property investment, more than doubled to £55.1m (£21.5m). Operating profit rose 86 per cent to £2.79m (£1.5m) but the pre-tax figure was held back hy net interest costs of £708,000 against income of £326,000.

Group earnings per share were lower at 2.81p, against 3.01p, as a result of shares issued for Wheway. However, the interim dividend is maintained at 2.75p.

EUROTUNNEL FINANCING

Completed rights means final hurdle cleared

More than a fortnight before the Queen, Mr John Major and President Mitterand took the "inaugural" train ride on May 6 through the Channel tunnel, a group of leading fund managers and corporate bankers took the first outsiders' ride.

The fact that the City beat the state through one of the modern world's greater engineering feats, speaks volumes for the predicament in which Eurotunnel had found itself.

With its money due to run out in June, it was faced with the logistics of securing increased loans from a syndicate of 220 banks, and getting support for a rights issue without having any loyal institutional shareholders.

Surprisingly, the £858m rights issue went through with little difficulty, and no evidence of the arm twisting that institutions had expected from the issue's broker, SG Warburg.

The underwriting group – with UK institutions covering one half of the transaction and French the other – took all night to complete the agreement, but once pricing was agreed by the Eurotunnel board at 5pm last night, success was assured.

The lead-up was not so smooth. The UK stock market had gone against Eurotunnel from the start. And on Wednesday, when the deal was finalised, it hit its low point of the year.

Word of Eurotunnel's difficulty in securing bank finance had spread, creating nervousness among underwriters and potential sub-underwriters, and encouraging a decline in the share price.

In addition, cynicism remained over the company's financial projections. This meant that the leading institutions, which would be expected to back such a stock, were uninvested, and unexcited – more than 60 per cent is held by French, mainly retail, investors.

In the circumstances, institutions had a professional incentive in talking down the price of the rights, to make it more attractive. They succeeded.

Eurotunnel had started with a broad spread on pricing, stretching down to a minimum of 250p, because the company was only mandated to issue 340m new shares, and it needed to raise £850m.

By Wednesday, Eurotunnel's expectations had been forced downwards, and the board was faced with a range from 260p to 275p, and variations on the number of shares to be issued. Underwriters were satisfied with the decision of 265p.

The UK tranche was led by Morgan Grenfell and the French by Banque Indosuez, and Swiss Bank took 25 per cent of the underwriting on both tranches.

The format of the syndicates remained unchanged in the final stages and the underwriting agreement was completed at 6am. The sub-underwriting went through relatively easily yesterday morning, as the shares recovered from an initial 20p drop.

Overall, the financial community has cause for celebration. Of the £858m raised from the rights, an astonishing £42m, or 5 per cent, has gone on fees, to cover 2 years of financial advice, more than £1m for the lawyers, and the usual underwriting fees.

Meanwhile, Eurotunnel can celebrate having overcome what it claims to be the final financial hurdle in its struggle to profitability.

Simon Davies

Seeking the profitable route

Mr Patrick Ponsolle says he is attracted hy difficult challenges.

His appointment yesterday as co-chairman of Eurotunnel, with the task of helping to steer it to profit, would appear to fit the bill.

In succeeding Mr André Bénard, who is stepping down from the position at the age of 71, Mr Ponsolle does, however, have some cards up his sleeve.

"He is well-connected, has a lot of financial experience and is very ambitious", says a former colleague from Cie de Suez, where Mr Ponsolle, 49, has spent mnch of his career.

The first two attributes are largely the result of his time at Suez, the powerful industrial and financial gronp where Mr Ponsolle rose to the position of managing director. But they also reflect a stint in government administration.

After gradnating from the prestigious Ecole Nationale d'Administration, the training ground for many of France's top civil servants, he worked in the economics ministry, serving as an aide to Mr Laurent Fabius, the socialist hudget minister who later became prime minister.

"He is a quintessential prodnct of the French financial establishment", says one French banker – referring to Mr Ponsolle's track record.

This, along with his connections, is likely to prove an asset in the financial and commercial negotiations with which he will now be faced. "It will be much harder for French banks and institutions to say no to Ponsolle than to Bénard, who was a relative outsider", says one member of the underwriting syndicate for Eurotunnel's rights issue.

Patrick Ponsolle: we will form a trio, sans problèmes

If Mr Ponsolle is widely known, however, he is also widely known for being ambitious – a factor which helps explain his departore from Suez. One of the favourites to replace Mr Renand de la Génière as chairman of the financial gronp in 1990, the appointment of Mr Gérard Worms blocked Mr Ponsolle's path to the top job. "He had hoped for the big prize and it is no surprise that he has looked somewhere else", says one former colleague.

In his new job, which will start in July, Mr Ponsolle says he will work alongside Sir Alastair Morton, the British co-chairman, and Mr Georges Christian Chazot, the managing director. "We will form a trio, sans problèmes", he forecast yesterday.

He has few illusions, however, about the task that awaits him. "The first steps have been taken, hnt there is a lot of hard work to do." If he succeeds, he will be fulfilling the ambitions of his former employer.

After the nationalisation of the Suez Canal in 1957, Mr Jacques George-Picot, then head of Snez, declared his determination to build a tunnel under the channel. Mr Ponsolle inherits a tunnel, he must now make it pay.

John Ridding

Support likely from French investors

Mr Christian Cambier, the French head of the association for Eurotunnel shareholders, expresses resignation on the subject of yesterday's rigbts issue. "We bave no choice", he said when asked if individual shareholders would subscribe to the proposed capital increase.

Mr Cambier, who represents an estimated 1,500 of Eurotunnel's 600,000 shareholders, expressed dismay at tbe decline in the company's share price but said that investors in the company were "a special breed". The French, in particular, he claimed, "have a faith in this kind of grand project. They have stuck with it and they believe it it will succeed".

The attitude of Mr Cambier and his compatriots is critical. French investors hold more than 60 per cent of the shares in Eurotunnel, the majority, like in Britain, dispersed among individuals. In responding to the rights, however, their faith will put to the test.

Like their British counterparts, the French underwriters had privately expressed concerns ebout the capital increase. "There was some tough talking but we think the terms are acceptable and we are quite confident that investors will respond."

In the event, a group of French heavyweights bave been signed up for the underwriting. Headed by Banque Indosuez, the lead managers include the recently privatised Banque Nationale de Paris, the state-owned Crédit Lyonnais and the French arm of SBC.

The co-lead managers include Crédit Agricole, Banque Paribas, and the Caisse des Depots et Consignations, the state financing institution which is one of Eurotunnel's largest investors with about 2 per cent.

Many of their target institutional investors appear ready to grin and bear the burden of the issue. "They will face a lot of pressure to support the issne, including from the French government", said one broker.

He believed that shareholders such as the recently privatised Union des Assurances de Paris would throw their weight behind the capital increase. "There is a lot of political capital at stake in this project. I think the bigger investors, like some of the underwriters, will have been made aware of this."

One insurance company said it would be looking at the prospectus very carefully. "It may be cheaper to reduce our stake now than later", be said.

What is already clear is that a bumpy and uncertain ride is in prospect. With so many small shareholders it is hard to predict the outcome. "The fact that the value of the shares has fallen so far from the peak in 1989 will provoke a lot of resentment. There is also a feeling that underwriters have added to the downward pressure on the shares to increase their returns. But if shareholders have stuck with it this long, they may see little point in bailing out now," argued one analyst.

John Ridding

Argent share price set at 255p for value of £140m

By Vanessa Houlder, Property Correspondent

Argent Group, the property investor and developer, yesterday set its flotation price at 255p per share, valuing the company at £140m.

It is offering 13.7m shares through a placing and intermediaries offer, which represents a discount of 5.2 per cent to its adjusted net asset value.

Argent is raising £27.1m net, which will be used to fund investments and developments, although it will initially be to cut debt.

Under the offer, 11.57m shares are being issued and 2.16m shares are being sold by Warhurg Pincus. After the offer, Warburg Pincus will be left with 27.3m shares, representing about 49.8 per cent of the company. The management team is not selling any shares in the offer.

● COMMENT

Argent has a lot to live up to. In a market jaded by the glut of property companies attempting flotations, Argent's launch stands out because of the plaudits heaped on its management team, who have a won a reputation for skilful timing over the past five years. The shares have been keenly priced and, in a weak market, could fall to a discount when dealings start. In the short term, asset growth could be held back by the demanding valuations placed on its properties. However, for long-term investors looking for capital growth, rather than income, Argent could be one to back.

Warner Estate declines

By David Blackwell

Warner Estate Holdings, the property investment company, yesterday announced pre-tax profits of £3.66m for the six months to end-March, down from a previons £3.76m.

Turnover increased from £5.41m to £5.89m. The interim dividend is 3.85p (3.65p) while earnings per share were 5.65p (5.43p).

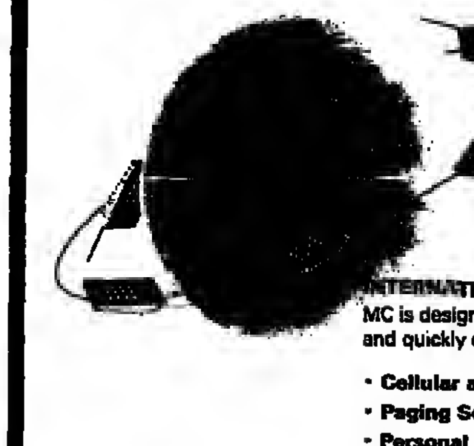
Rental income increased from £4.25m to £4.48m. The directors said the increase reflected the purchase of properties. They expected rental income to continue to grow.

Turnover also inclnded £890,000 (nil) from property trading and £515,000 (£1.16m) from specialised contracting.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acatos Hutcheson ......int	3.5	July 25	3	-	8
Alba ......fin	4	Oct 24	3.85	5	4.85
Archer ......int	0.5	Aug 18	0.5	-	1
Atkins ......fin	4.25	July 20	4.25	8.1	7.85
Cable & Wireless ......fin	5.65	Sept 1	5.05	8.25	7.425
Cranswick ......fin	5.85†	Aug 12	5.6	8.25	8
Fenchurch ......int	2.6☆	Aug 5	-	-	-
Fulcrum Inv Tst ......fin	3.21	June 30	2.92	8.66	8.37
Gleves ......fin	1	July 1	nil	1	nil
Govett High Inc ......int	2.08	July 22	-	-	-
Macdonald Mart A......fin	7.414	July 29	6.6	9.68	8.8
Macdonald Mart B......fin	3.707	July 29	3.3	4.84	4.4
Mart Currie Euro......fin	0.29	Aug 25	0.29	0.29	0.29
McLeod Russel ......int	2.75†	July 15	2.75	-	6.1
Merchant Retail ......fin	nil	-	0.75	nil	0.85
M&G ......int	13	July 1	10	-	25
Perpetual ......int	10	July 1	1.8	-	15
Quadramatic ......int	2.5	July 14	-	-	1
Scottish Inv Tst......int	1.76	July 18	1.7	-	4.9
Shoprite ......int	0.6	Sept 30	0.6	-	2.2
Smart (J) ......int	2.3	July 11	2.3	-	8.5
Southnews ......fin	2	Aug 5	1.4	2.95	2.1
South West Water......fin	17.1	Sept 1	15.9	25.5	23.7
Storehouse ......fin	3	Aug 11	2.5	5.5	5
Trafalgar House ......int	nil	-	1.25	-	3.25
Tunstall ......int	1.35	July 22	1.25*	-	3.5*
Warner Estate ......int	3.85	Oct 7	3.65	-	11

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock. ☆ Maiden distribution.



Interest reins in South West

By Peggy Hollinger

South West Water yesterday announced pre-tax profits at the lower end of expectations as the effects of falling interest rates and hefty capital expenditure began to take their toll.

The utility reported a marginal £300,000 improvement in pre-tax profits to £98m for the year to March 31. Analysts had been expecting between £93.6m and £96m.

Profits were held back by a £26m swing in the interest line, as the company began to draw down cash to pay for its £200m annual investment programme. Some £14m was paid in interest, against a £12m gain last time.

Turnover rose by 30 per cent to £252m (£194m). A 14 per cent increase achieved by the utility business masked a 3 per cent decline in commercial demand.

The shares yesterday fell by 15p to 510p.

Mr Ken Hill, finance director, said costs had been cut by some £2m last year by job losses and production efficiencies.

The programme to upgrade sewage treatment along South West's coastline was two thirds complete or under way. So far the projects had been finished on budget and on time.

South West has been the hardest hit by coastal clean-up regulations, due to its long coastline and relatively sparse population. Consequently it has been allowed to impose the highest charges of the 10 main companies on its customers.

Mr Hill refused to comment on the draft price increases, delivered to water and sewage companies by Ofwat, the industry regulator, last weekend.

In the period under review the non-regulated businesses, acquired since privatisation for a total investment of £40m, broke even after interest.

At the operating level, the businesses contributed £2.4m, on a jump in sales from £10m to £75m. This reflected in part the inclusion for a full year of Haul Waste and acquisitions.

The final dividend goes up in line with expectations by 7.5 per cent to 17.1p, for an increased total of 25.5p (23.7p).

Earnings per share were 68.5p (67.9p).

● COMMENT

The financial strains on South West are beginning to show, in particular on dividend and interest cover. The company will be forced to find substantial cost savings in order to protect the dividend, unless the regulator is feeling generous. It seems clear that in spite of its respectable track record in the non-regulated business, substantial returns from these divisions are some way away. Forecasts are for £100m this year. If the compulsion to invest in water is irresistible in spite of the price uncertainty, then there may be better bets than South West in the short-term.

Universal Ceramic to float valued at £20m

By Peggy Hollinger

A small ceramic materials company is hoping to defy the market's recent aversion to new issues with e flotation this summer expected to value the group at up to £20m.

Universal Ceramic Materials is aiming to come to the market through a placing which is likely to raise about £10m.

Mr Bill Hughes, chief executive, was confident the float would succeed.

"We are a small company and have never made a loss," he said. Also the amount of cash we are looking for is relatively small."

UCM intends to use the proceeds to invest in equipment and increase capacity. The company has changed hands four times since 1980. In 1993 Mr Hughes led a £10.6m management buy-out.

Profits for 1993 rose 40 per cent to £1.7m on sales of about £26m. Mr Hughes said he expected profits to improve further in 1994.

UCM, which manufactures products used in refractories and heating elements, operates in several mature markets in the UK, US and continental Europe.

New condom helps LIG gain foothold in Japan

By David Blackwell

A new polyurethane condom is set to take London International Group into the £430m-a-year Japanese condom market for the first time.

LIG, the world leader in branded condoms, yesterday announced a joint venture with Okamoto Industries, which has 56 per cent of the Japanese market.

Japan, with 3.8m condoms sold annually, is second only to the US in the world market. But the US market is valued at only £262m a year, partly because the Japanese are more prepared to pay for quality.

LIG claimed last year that its new Avanti condoms represented a technical breakthrough. The polyurethane product, to be known as Duron, is twice as strong as latex, enabling the manufacture of very thin condoms.

Shoprite shares tumble 54p on results

By Peter Franklin and Neil Buckley

Shares in Shoprite fell 54p to 90p yesterday as the discount food retailer brought forward publication of its interim results from mid-June because profits for the period were substantially below market expectations.

Although turnover for the six months to May 1 increased by 59 per cent, from £66m to £105m, operating profits fell by 17 per cent from £2.43m to £2.02m. That was in spite of 20 new store openings, taking the chain to 83.

The shortfall in operating profit was offset by a £1.95m surplus on the disposal of various assets – principally the sale and leaseback of property in Scotland – and at the pre-tax level profits advanced by 62 per cent from £1.69m to £2.74m.

The results clearly demonstrated the pain caused in some sections of the grocery market by increasing price competition since late last year, when superstore chains Sainsbury, Tesco and Safeway began to respond to the growth in the discount market and price initiatives from Asda and Gateway.

Mr Charles Good, managing director, said Shoprite had been forced to cut gross margins to maintain its price advantage over competitors, which had hit the bottom line.

Steps had been taken to reduce costs, and marketing initiatives had been implemented to promote the group's competitive position.

"We are confident that the second half will show some improvement," he added.

He said the price reductions were starting to produce higher volumes, and Shoprite was negotiating better deals with suppliers. It was pressing ahead with plans to open a further 30 stores in the second half.

One food retailing analyst suggested the company may have over-reacted and cut gross margins too far.

"They may have shot themselves in the foot by investing too heavily in price," he said. "I think this is a probably a wobble rather than a structural thing. But it will take them some time to get their halo back after this."

Net interest payable increased from £949,000 to £1.24m, but by mid-July, when further property sales were expected to be completed, overall indebtedness should be reduced to about £16m, the company said.

Earnings per share came out et 3.05p (1.91p) and the interim dividend is held at 0.6p.

Shoprite is changing its year end to bring it into line with the calendar year, so the results for 1994 will be for a 14-month period.

M&G takes a leaf out of its own book

By David Wighton

M&G, the fund management group that stresses the importance of companies paying high dividends, is increasing its own interim dividend by 30 per cent to 13p as profits continue to surge.

The move partly reflects the intention to reduce the disparity with the final payment but the company expects total dividends to rise by at least 12 per cent to 28p.

Pre-tax profits in the six months to March 31 rose by 37 per cent to £31.2m (£22.8m). Funds under management increased by 13 per cent to £14.1bn.

Unit trust sales more than doubled to £574m (£232m) and net of redemptions jumped from just £4m to £308m. That represented 12.8 per cent of the industry total.

Unit trust Pep sales almost trebled to £304m, boosted by the removal of the initial charge on the Managed Income Fund Pep in January.

Mr Paddy Linaker, who retires as group managing director in July, said he was pleased with the improvement in marketing following personnel changes. "Last year we were pleased with the investment performance, but a bit disappointed with sales."

Life and pension policies also showed strong growth, with sales of single premium life policies almost trebling to £120m and single premium pension policies up 88 per cent to £49m.

Revenue from institutional clients rose 19 per cent to £2.99m, although higher costs reduced profits to £734,000 (£1.1m).

Mr Linaker said the investment performance had held up well until the end of March and that the group was well positioned with a UK equities portfolio relatively light of highly-rated large companies.

"The relative outperformance of income, recovery and smaller company stocks has at least another year to go," he declared.

Earnings rose to 29.1p (21.5p).

Dividing in order to multiply

Paul Cheeseright on BSG's latest purchase and its strategic plans

BSG International opened a new chapter in its history yesterday when it split its business into two core divisions, opening the way to the break-up of the group. It also made a recommended £20m offer for Jessups, the vehicle distributor.

The splitting of the group into Britax International, which will hold all BSG's manufacturing operations, and Bristol Street Motors, which hold the group's vehicle distribution and servicing businesses, is the upshot of a strategic review which has been taking place since last autumn.

The offer for Jessups is an immediate step to strengthen Bristol Street Motors, a move which also springs from the review. "One follows the other," says Mr Richard Marton, BSG chief executive.

The shares fell 5¼p to 69p.

The division of BSG opens up the possibility that either of the halves could be demerged, floated, made the subject of a reverse takeover or sold. But there is not likely to be any immediate decision.

"What we are doing does not put a For Sale sign up over any of our core businesses," says Mr Marton.

A change of course has been in the offing since last summer. Then Mr Tom Cannon, who had been managing director and expected to become non-executive chairman, was eased into retirement.

The growth of BSG from a Birmingham car dealer to a significant components manufacturer and vehicle distributor with turnover approaching £600m is associated with Mr Cannon more than with any other individual.

But the growth had been haphazard; it certainly did not follow any tenets of strategic planning laid down in e business school. Car mirrors and lights, sunroofs and seat belts, pushchairs and aircraft lavatories, quite apart from car dealing and leasing – BSG has them all.

Mr Marton, as Mr Cannon's successor and one-time subordinate, has been seeking to put order into the diversity, to apply 1990s thinking to the practice of earlier decades. Any thought that this might be a leisurely process was dispelled in the last quarter of 1993, when BSG saw its manufacturing markets sliding away and had to give a profits warning.

But the results of the current review come as trading improves. The board is optimistic "that a satisfactory recovery in the group's performance compared with that in 1993 is under way". Last year BSG had pre-tax profits of £10.5m, but suffered a 27 per cent fall in operating profits.

"There are two distinctive operations sitting together, but not very well together," says Mr Marton.

He talks frequently of "critical mass" and the need to create more of it. BSG is spread widely, but it is spread thinly.

It is active in sectors where there has been considerable realignment. In the automotive components sector, consolidation has been taking place – hence the recent takeover of Linread by McKechnie.

Britax now "is not large enough to be a major player", says Mr Marton. It nearly has the necessary mass to be that in mirrors, it has some way to go in lighting and a long way to go in sunroofs. The hope at BSG is that greater independence will stimulate growth.

On the vehicle side, Bristol Street Motors, with Jessups, will be "reasonably near" to achieving this critical mass. By adding 12 selling sites in south-east England to BSG's 24 in the Midlands and the north, BSG thinks that it will be about sixth in the pecking order of the UK's vehicle distributors.

But Jessups, which last year had pre-tax losses of £600,000, is not coming cheaply. BSG's share offer values its ordinary shares at 140p against an overnight price of 98p. BSG is offering 15 new shares for every eight Jessups ordinaries and 110.35p cash for every Jessups preference. There is a cash alternative of 125.625p for the Jessups ordinaries, but that is dependent on the ordinary offer becoming unconditional.

So far BSG has received undertakings to accept the offer for 27.5 per cent of the ordinary share capital and 18.1 per cent of the preference.

Through Morgan Grenfell, BSG is issuing 18.7m new shares, about 6.7 per cent of its enlarged share capital. To the extent that some of these need to be sold to meet the cash alternative, Morgan Grenfell is underwriting their sale at 67p.

The immediate financial effect of the takeover on BSG will be to raise its gearing to more than 45 per cent, compared with 23 per cent at the end of 1993.

BTR may sell ADS Anker subsidiary

BTR, the industrial conglomerate, yesterday indicated that it was considering selling ADS Anker, its German-based subsidiary which specialises in electronic point of sale systems.

In response to a question at the annual meeting in London yesterday on whether BTR should dispose of the subsidiary, Mr Robert Faircloth, BTR's chief operating officer, said:

"It is a course that we are currently exploring but at the same time we are putting management and diligence into getting the best out of the business that we can."

According to Mr Faircloth ADS Anker has sales of under £100m and is making a small profit.

Mr Norman Ireland, BTR's chairman, said the company's confident view for the current financial year, first disclosed in March, had not changed.

"America and Australia continue with strong order positions in most of their markets while in the UK, orders ... have continued to improve."

However, overcapacity in a number of sectors was affecting the company's ability to improve margins.

All-round expansion boosts Alba by 40%

By Paul Taylor

Alba, which earlier this month acquired Goodmans Industries, a rival consumer electronics group, for some £3.6m, yesterday reported sharply higher full year profits.

Pre-tax profits increased by 40 per cent to £7.39m in the year to March 31 from £5.05m last time when the outcome was reduced by a net £791,000 in provisions and closure losses.

Turnover from continuing operations rose by 15 per cent to £126.3m against £109.9m, when discontinued operations added a further £3.59m.

Mr John Harris, chairman, said the UK companies showed "strong and consistent growth, greatly outperforming the pattern of the consumer electronics market as a whole".

He said all the businesses made a positive contribution to operating profits which increased from £6.3m to £7.39m.

Net interest costs fell to £351,000 (£467,000) as net borrowings fell to £8.55m (£9.53m), equivalent to gearing of 35.4 per cent.

Total sales of the group's UK brown goods companies, Alba Radio and Bush Radio, increased by 16 per cent while the Hinari domestic appliance division continued its rapid growth, lifting sales by 65 per cent to £16.5m.

Overseas, Alba France increased sales from FFr118m to FFr121m (£14.1m) despite the recession, while the small German operations lifted sales from DM6.3m to DM11.9m (£4.7m).

In Hong Kong, Harvard Maritime again made a strong contribution to profits although sales slipped from HK$220m to HK$200m (£17.2m) reflecting the discontinuation of certain low margin businesses.

Earnings per share increased from 8.32p to 12.11p and a final dividend of 4p is recommended for a total of 5p (4.85p).

The shares closed 3p higher at 180p.

Commenting on the Goodmans acquisition, Mr Harris said the product fit was good and expressed confidence that it would be possible to improve profit margins.

"We think we can make it as profitable as the rest of the group," he said.

John Harris: UK showed strong and consistent growth

Tunstall ahead to £3.28m and seeks expansion

By David Blackwell

Tunstall Group, market leader in emergency communication systems for the elderly, raised pre-tax profits from £3.17m to £3.28m in the six months to end-March.

Turnover increased from £22.2m to £23.3m, including £658,000 from the Dutch subsidiary acquired last October, which contributed £84,000 to profit.

Describing the results as "extremely good", Mr Michael Dawson, chairman, said prospects for the full year were encouraging with the order book for the core business 17 per cent up the same period last year.

The group, which also makes security systems and has a contract electronics manufacturing arm, increased direct exports from the UK by 42 per cent to £1.7m.

The total overseas contribution to sales eased to £4.4m, held back by tough trading conditions in Germany.

The profit also included £63,000 from associates - distribution companies in Spain, Norway and Australia where the group sees significant opportunities for expansion.

Capital expenditure at £2.6m equalled last year and is expected to have doubled by the end of 1994.

Mr Dawson said that by the end of 1996 the contract electronics division, known as Mion, would employ 600 people and contribute £25m to group turnover.

The damages case against Anchor Line over the 1988 acquisition of Tann-Synchronome begins next month. Legal costs, which by the end of March amounted to £454,000, have been written off as incurred.

Earnings per share rose from 6.6p to 7p. The interim dividend is raised from 1.25p to 1.35p.

Fenchurch meets expectations

By Richard Lapper

Fenchurch, the insurance broker which gained a stock market listing in November, yesterday reported a decline in pro forma pre-tax profits to £3.53m for the six months to March 31, compared with £3.96m in the same period last year.

But the the group stressed that the result was adversely affected by the transfer of several important insurance contracts from the first six months to the second half of the year.

Arguing that profits were up on an underlying basis, it declared an interim dividend of 2.6p, payable from earnings per share of 6.2p (7.4p.

"Our client base continues to expand both here and overseas, where we have benefited from a higher profile following our public listing," said Mr Roger Earl, chief executive.

"The group's trading remains in line with expectations at the time of flotation," added Mr Earl.

Turnover for the six months was £15.4m (£14.7m). However, the decision to delay the placing of several contacts - mainly relating to aviation, energy and industrial business - led to the loss of some £1.4m in turnover, virtually all of which would have fed through to pre-tax profits, according to the group. Expenses increased by 9.8 per cent.

Mr Earl said that the group had decided to defer the contracts because of tightness in the London market.

investment income amounted to £874,000 (£911,000). Discontinued operations generated income of £356,000 (£1.29m). Interest payable amounted to £52,000 (£48,000). Losses from discontinued operations amounted to £7,000 (£61,000).

Archer still affected by problems at Lloyd's

The problems of Lloyd's of London continued to adversely affect tha results of Archar Group Holdings, one of two agencies at the market which have a full stock exchange listing, writes Richard Lapper.

Archer, which administers 15 syndicates and is the fourth largest managing agency, yesterday reported pre-tax losses of £430,000, compared with a restated £550,000, for the six months to March 31.

Profit commission earned by tha agency in thc 1991 year amounted to £1.1m (restated £1.4m) but were not received by the group until after the end of March.

Lloyd's, which reports its results three years in arrears, earlier this month announced losses of £2.05bn for the 1991 year.

Agency fees - earned during the reporting period - fell to £1.9m (£2.5m). Despite an increase in capacity managed, fees were reduced from 0.6 per cent to 0.5 per cent of Names' capacity.

Expenses rose to £4.57m (£3.77m), while underwriting agency operating losses amounted to £491,000 (£713,000). Insurance services suffered operating losses of £64,000 (profit of £18,000).

Mr Bryan Kellett, chairman, said that prospects for the 1992 and 1993 underwriting years, the results of which Lloyd's will report in the next two years, were improving.

Losses per share were 1p (1.3p) but the group said it was maintaining the interim dividend at 0.5p in recognition of improving fortunes.

Atkins falls £252,000 into the red

Atkins Group, the Leicestershire-based hosiery manufacturer, swung from profits of £448,000 to losses of £252,000 pre-tax for the 12 months to April 2.

The directors warned in February that the year-end results would be substantially lower because of a sharp slowdown in trading during the final quarter.

They said yesterday that the net costs of terminating the fabric operations, amounting to £298,000, were an important factor.

Turnover improved from £17.9m to £19.1m, with the final three months generating only 1.5 per cent of growth.

Losses per share emerged at 6.6p (earnings 9.81p). However, the final dividend is maintained at 4.25p, making an 8.1p (7.85p) total.

Capital expenditure of £1.16m pushed year-end gearing up from 15 per cent to 38 per cent.

Acatos up 9% despite squeeze on margins

By David Blackwell

A rise of more than 50 per cent in the average price of edible oils over the last 18 months has put increasing pressure on margins at Acatos & Hutcheson, the edible oils and fats manufacturing group.

For the six months to April 3 the group achieved a 9 per cent rise in pre-tax profits to £5.59m (£5.14m) on turnover ahead 17 per cent at £123.1m (£105m).

The bulk of the group's business lies in supplying own brand oils and fats to UK supermarkets. Mr Ian Hutcheson, chairman, said the insistence of some of the group's customers that prices should be held "in the face of unavoidable cost increases reached a level of unrealism we have not previously experienced".

Nevertheless, Acatos had managed to maintain its market share.

Earnings per share rose to 11.4p (10.4p). The interim dividend is lifted to 3.5p (3p).

Last November the group announced that it would be closing its edible oils refinery at Bootle, Merseyside. Yesterday the group said that the 250-strong workforce had been guaranteed employment to the end of December, and would work on dismantling and decommissioning the plant when it shuts later this year.

Mr Hutcheson said that the full benefit of the closure would not be felt until the next financial year.

Meanwhile, a planned reconstruction of the shareholding of Acatos Limited in the company has been put on hold. Acatos Limited is private and owns the shares previously held by Mr Hutcheson, his family and other parties, which comprise 37.1 per cent of the ordinary capital.

COMPANY NEWS: UK

Second half recovery cheers market but company remains cautious

Macdonald Martin rises 14%

By Graham Deller

Macdonald Martin Distilleries, best known for Glenmorangie single malt whisky, staged a smart recovery in its second half, helped by a strong performance in international markets.

After recording a 20 per cent decline in profits before tax at the interim stage, the Edinburgh-based group rallied to shew a net 14 per cent improvement, from £4.35m to £4.97m, during the 12 months to March 31.

The A shares rose by 35p to 480p.

Despite the improvement, Mr Neil McKerrow, managing director, remained circumspect on prospects: "We are expecting another tough, difficult year with surplus stocks and no improvement in prices." He was hopeful, however, of further growth in the malt market.

Overseas sales of Glenmorangie increased by 30 per cent in value last year, with North America and northern Europe showing good growth. The smaller Glen Moray brand also improved in most European markets and in the UK duty-free sector.

Sales of blended products were particularly strong during the fourth quarter, with the US and Venezuela performing well, he added.

Increased bulk contract sales made a sizeable contribution to a 22 per cent expansion in group turnover, up from £24.2m to £29.5m, albeit at reduced margins. The effect at the pre-tax line, however, was offset by a £632,000 write-off for unutilised capacity, reflecting continuing lower production levels at the malt distilleries.

Capacity was running at 44 per cent, but should improve to 66 per cent during the current year, Mr McKerrow said.

Crabbie's, the green ginger wine brand acquired in October from United Distillers for some £2.1m, increased sales by 6 per cent in a stable market and made a small contribution to profits.

The year finished with reduced gearing of 27 per cent, down from 30 per cent at end-March 1993.

Helped by a more normal tax charge, earnings per A share improved by 20 per cent to 24.47p (20.38p). The total distribution goes up 10 per cent, from 8.8p to 9.68p, via a proposed final of 7.414p.

ACT sale severs link with hardware

By Alan Cane

ACT Group, the Birmingham-based computing services company, yesterday continued its programme of disposals with the sale of its computer maintenance and systems integration arms.

The disposal marks ACT's final retreat from any involvement in the computer hardware business, following the sale of its Apricot workstation business to Mitsubishi of Japan three years ago.

ACT Computer Support and ACT Network SI, have been sold for £14.5m cash, implying an exit p/e of about 7, to a new company involving the management of Computer Support together with NatWest Ventures Investments and Phildrew Ventures Third Fund.

The two companies made pre-tax profits of about £3.5m in the year to March 31, but operating profitability has been falling sharply. Assuming current interest rates, earnings this year will be diluted by about 1p a share, ACT said.

The new company will be called Network SI Group and will be run by Mr Simon Hunt, chairman, and Mr William Bayly, recruited from Cray Communications.

HunterPrint tumbles £1.42m into deficit

HunterPrint, the specialist printing group, reported pre-tax losses of £1.42m for the half year to March 31, compared with profits of £330,000.

The preference share dividend is again being omitted because of the negative revenue reserve.

The company said there had been unexpected cost overruns in the first quarter associated with the launch of five new titles and the bedding down of three new presses.

A cost reduction programme had been introduced in the second quarter.

Turnever slipped from £26.6m to £26.1m and net interest charges rose to £767,000 (£579,000).

Retained losses amounted to £1.51m (£295,000 profits) and losses per share were 2.6p (0.76p earnings).

The company said its current trading profile would in future reduce the group's reliance on the first quarter.

Merchant Retail £4.8m in red after provisions

Merchant Retail Group announced losses before tax of £4.83m in the year ended April 2, after the expected £3.5m provision for redundancy costs and stock and equipment write-downs at the Normans food subsidiary.

Mr Eric Kinder, chairman of the retailing group, said the food division had been through its most difficult year ever. Sales fell by £5m to £127m.

Group sales, excluding VAT, declined to £167.1m, against £169.7m when there were pre-tax profits of £1.8m.

A valuation of group properties has, as fereshadewed, resulted in a fall by £8.3m to £32.2m.

Gearing rose to 69 per cent at the year end, excluding charge card debt of of £4.76m.

Losses per share were 6.91p (0.84p). As distributable reserves have now been eliminated it is not possible to pay a dividend. A total of 0.95p was paid in the previous year.

Brewin Dolphin to float with £31m tag

By David Wighton

Brewin Dolphin, one of the UK's largest private client stockbrokers, will be valued at £30.9m when it joins the stock market next month.

Mr John Hall, managing director, said the placing price of 150p had been cut by 10 per cent over the past couple of weeks reflecting the fall in share prices and the difficult new issues market.

The placing price represents nine times earnings in the year to December 10, before exceptional costs, while the notional yield is 4.8 per cent. Shares in the closest comparable quoted company, BWD Securities, trade on an historic multiple of 10.5 with a yield of 4.3 per cent.

The placing will raise £5.7m net for the company, most of which will be used to repay borrowings outstanding from the management buy-out in 1992 and the acquisition of Bell Lawrie last year.

The flotation comprises a placing of 7.28m shares by Charterhouse of which some 2m are being placed with Brewin Dolphin's own private clients. Employees are retaining over 85 per cent of their existing shareholdings and will own 58.9 per cent of the enlarged equity.

Dealings start on June 9.

Enterprise shareholders support bid for Lasmo

By Peggy Hollinger

Fergus Wilkie

Graham Hearne: departed from prepared text to thank investors

The controversial strategy of Mr Graham Hearne, chairman and chief executive of Enterprise Oil, was vindicated by shareholders yesterday as they voted overwhelmingly in support of his £1.3bn hostile bid for Lasmo, the rival oil explorer, at an extraordinary meeting in London.

Mr Hearne, who has been criticised over the logic of the all-paper bid and accused of megalomania, departed from his prepared text to thank investors after the vote. "It is nice to know our shareholders are behind us," he said.

Enterprise arrived at the meeting armed with proxies representing substantially more than 50 per cent of the total equity base. Of those, 99 per cent had voted in favour of the bid, said Mr Hearne.

Investors made it clear, however, that it was the all-paper bid as it currently stands which they backed. "I would hate to see Enterprise stumping up another 10 per cent in cash," one private shareholder remarked.

Mr Hearne said he stood by the package on offer, which combines Enterprise A shares and warrants – although the board would have to retain some flexibility.

It has been widely speculated that Enterprise would have to revise its offer to win over Lasmo investors, particularly as its shares have fallen from 445p to yesterday's 401p since the bid was launched.

Enterprise has several options – from introducing some form of cash which could be unpopular with its own shareholders, to revising the paper offer in the light of its own weaker price to bring the value of the bid back up to 150p a share.

The EGM lasted less than 30 minutes, with investers choosing to ignore Lasme's attempts at calling their company's accounting practices into question.

Mr Hearne was not content to let the matter lie, however. "Lasmo is trying to defend itself by publishing a series of increasingly tall stories designed to distract shareholders from the issues," he said.

Enterprise remained convinced that the deal weuld bring value te both sets of shareholders.

Cranswick ahead at year end with £2.33m

Despite a fall at the interim stage, Cranswick, the integrated supplier of grain, feed, livestock and meat products, reported record pre-tax profits of £2.33m for the year to March 31, compared with £2.2m.

Mr Jim Bloom, chairman, said the current year had also started well with sales of pig feed and bird food ahead of last year. The improved performance from pig rearing activities had continued and pig marketing volumes were ahead of last year.

Although turnover declined to £106.5m (£109.6m) operating profits rose to £2.35m (£2.32m) including £499,000 from acquisitions. Net interest charges were sharply down at £17,000 (£118,000).

A proposed final dividend of 5.85p (5.6p) lifts the total to 8.25p (8p), payable from earnings of 12p (13.2p) per share.

NEWS DIGEST

Southnews advances to £1.71m

Southnews, the Londen regional newspaper publisher, turned in pre-tax profits of £1.71m on turnover of £16.9m for the year to April 2.

The outcome compared with a profit of £1.58m – including a £364,000 exceptional gain on the sale of Sussex County Press – from turnover of £13.9m previously.

Operating profit, including a first year contribution of £144,000 from acquisitions, was £1.75m (£1.21m).

Earnings per share came out at 7.63p (6.59p) and a final dividend of 2p makes a 2.95p (2.1p) total.

Progress takes Gieves to £1.38m

Further progress in the second half at Gieves Group resulted in pre-tax profits of £1.38m in the year to January 31, against a £5.07m loss last time.

The directors of the retailer, licensor and publisher, have resumed dividend payments at 1p.

Earnings per share were 6.2p (35.6p losses).

Turnover of continuing operations rose from £17.1m (restated under FRS 3) to £18.1m.

The results contained a sum of £630,000 representing the release of part of a provision no longer required.

Yesterday, the shares added 3p to 66p.

Betterware chief's remuneration cut

Mr Andrew Cohen, Betterware's chief executive, saw his total remuneration drop from £354,171 to £190,942 in the year to February 28.

The 46 per cent reduction mainly reflected a sharp cut in performance related pay which fell from £124,300 to £16,408. Performance related pay is based on the earnings performance of the company.

Mr Cohen's basic pay and benefits increased by 10 per cent to £143,459 (£130,484), but his pension benefits fell from £99,387 to £31,075.

Revenue falls at Fleming High Inc

Fleming High Income Investment Trust reported lower net revenue of £1.52m in the year to April 30, against £1.94m.

Earnings per share were 4.7p, against 6.18p, and the fourth interim dividend is cut to 1.1p (1.45p) for a total of 4.4p (5.8p).

Net asset value per share at the end of the period was 101p, against 94.1p a year earlier.

Raglan Property £1.6m in black

Following a return to profit in the first half with £89,000, Raglan Property Trust, the property dealing, development and investment concern, finished the year to end-March with £1.58m pre-tax, compared with £2.44m losses.

Raglan has undergone a "complete financial and management reorganisation" during the year which produced "good results", the directors stated.

Earnings per share were 2.73p, against losses of £29.15p, while the directors said that again there is no dividend.

EIS to acquire ABPH for £2.5m

EIS Group, the specialist engineer, has agreed conditionally to acquire ABPH for an aggregate consideration of £2.5m, to be satisfied either in cash or in new EIS ordinary shares.

ABPH designs and manufactures electronic and electro-mechanical products mainly for defence and postal automation uses.

Investors holding about 98.29 per cent of the ABPH voting rights have accepted the offer and elected for the share alternative.

The number of shares to be issued has been calculated on the basis of the closing price of 405p on May 23.

Five acquisitions underpinned the EIS results for 1993, when pre-tax profits rose to £16.2m (£15.1m).

Scottish Investment asset value 276.6p

Scottish Investment Trust's net asset value per share declined slightly from 280p to 276.6p over the six months to April 30. However, it was 14.9 per cent ahead of the 240.7p value a year ago.

Available revenue for the six months to end-April was £5.7m (£5.6m) for earnings per share of 2.24p (2.2p). The interim dividend is stepped up to 1.76p (1.7p).

London Smaller net assets advance

London Smaller Companies Investment Trust reported net asset value per share of 104.4p at March 31, against 87p a year earlier.

Net revenue for the year to the end of March was £1.48m (£1.52m) for earnings per share of 3.25p (3.33p).

A final dividend of 2.39p is proposed for a total of 3.17p (3.07p).

Parkside Intl achieves £1.8m

Parkside International, the Yorkshire-based packaging group which gained a stock market quote in February this year, reported pre-tax profits of £1.82m for the 12 months to end-February.

The outcome was struck on turnover of £30.5m – including £971,000 from discontinued operations – and compared with profits of £1.6m on turnover of £24.9m last time. The 1992-93 figure included £3.04m from discontinued operations.

Earnings per share, following the capital reorganisation on flotation, emerged at 7.9p (8.1p). With fletation coinciding with the year end the first dividend to be paid would be the interim for the year ending February 28 1995.

Glencar losses deepen to I£0.49m

Increased pre-tax losses of I£490,502 (£482,000) were announced by Glencar Explorations, the Dublin-based mineral exploration company, for the year to December 31. In 1992 losses were I£271,801.

The loss was after exceptional charges of I£419,871 (I£212,474) comprising a I£309,000 write-down of the investment in Andaman Resources and a I£100,000 provision relating to the Hungarian uranium mine. The balance relates to exploration expenditures written off.

Govett High Income revenue at £1.67m

Govett High Income Investment Trust reported net revenue of £1.67m in its first five months of trading to April 30. Earnings per share were 3.49p and an interim dividend of 2.08p is declared.

In future dividends will be paid quarterly with two more payments for the 11 months to end-October.

Net asset value at April 30 was 89.38p or 91.15p on a fully diluted basis.

Martin Currie Euro above benchmark

Martin Currie European Investment Trust reported a 38.1 per cent increase in net asset value during the year to April 30 against a 27.8 per cent gain by the benchmark FT-A Europe (Ex UK) Index.

The figures were 127.74p (92.46p) basic or 123.13p (93.72p) fully diluted.

Net revenue for the year to end-April was £105,000 (£152,000) for earnings per share of 0.46p (0.66p). An unchanged single final dividend of 0.29p is being recommended.

COMMODITIES AND AGRICULTURE

Coffee futures sell-off extended to $400 a tonne

By Deborah Hargreaves

The coffee market kept up its recent sell-off yesterday as prices for the July futures contract at the London Commodity Exchange plunged by $175 to $2,032 a tonne.

Prices had recovered slightly from a $200 drop at one stage in the day, but with hedge funds bailing out of the market, the price could fall further. It has slipped by over $400 in the past two days.

The presence of large financial investors and speculators in the coffee market has exaggerated the dramatic increase in prices over the past couple of months and this could now work in reverse with prices slipping quickly.

However, the coffee market remains well above its February level of $1,200 a tonne and traders do not believe it will give up all of its gains as supplies are still tight.

"It's a healthy correction to what had become an overheated market," one trader commented. Some analysts do not rule out a return to higher prices once the market draws breath. Coffee stocks remain low, they point out.

Fresh coffee supplies are taking a long time to get on to the market with roasters holding on to stocks and new coffee deliveries being held back in anticipation of higher prices. Traders reported some disruption to the new Indonesian crop reaching the market.

The cocoa market was affected by the fall-out from coffee and the July futures price dropped by another £14 to 1,010 a tonne.

Soya mayhem bemuses analysts

By Laurie Morse in Chicago

After last summer's devastating US floods, world grain traders are used to weather stirring up the grain futures markets. However, the mayhem it has wrought on soyabean prices this is unusual because the crop is only just planted and will not be particularly weather-sensitive for several weeks.

Prices for soyabean futures at the Chicago Board of Trade climbed 75 cents per bushel in the six trading days ending Monday, easily topping $7 per bushel for delivery this summer, and approaching that level for new harvest delivery. Traders bought soyabean contracts thinking dryness in the northern plains would inhibit germination in newly-planted seeds. Weather forecasters fueled bullish speculation by predicting a long-term weather pattern would keep crop areas dry.

Then, on Monday afternoon rains began to fall in Iowa, Ohio, and Illinois, flushing the bulls out of the soyabean futures pits. In a heavy-volume rout on Tuesday and Wednesday, prices skidded more than 54 cents a bushel, forcing the Chicago Board of Trade to expand its limits on daily price declines. In late trading yesterday the prompt July position was down another 5½ cents at $6.69½ a bushel.

Agronomists are bemused by the market's rollercoaster ride, noting that US crop conditions are nearly as ideal today as in 1992, when the US had a bin-busting record maize harvest and excellent soyabean yields. Last season's rains left ample subsoil moisture in most areas and warm dry weather this spring allowed early seedings and hence a longer growing season.

Analysts say two factor are contributing to the volatility of Chicago grain markets. Firstly, last year's small harvest has left very little room for error in this season's crop – grain processors and exporters will have very little cushion if this year's harvest is delayed or smaller than forecast. Secondly, institutional investors who historically have scorned commodity markets have discovered their use as inflation hedges just as internal rules at the commodities exchanges have been adjusted to permit much larger speculative investments.

At the Chicago Board of Trade for example, a single speculator can now control as many as 30m bushels of maize and 21m bushels of soyabeans, twice the size allowable just two months ago.

With the stakes higher, grain markets have entered the world of high finance, and deep-pocketed fund managers are throwing their bets into the soyabean ring with unprecedented vigor. The result, traders say, is exaggerated daily price moves that don't always reflect the long-term fundamentals of the crop.

RTZ narrows Anglo's lead in mining league

By Kenneth Gooding, Mining Correspondent

Anglo American Corporation of South Africa is still the world's most important mining company but RTZ Corporation of the UK, in second place, is closing the gap between them.

This becomes clear from the latest Who Owns Who in Mining, which also shows that Broken Hill Proprietary, Australia's biggest company, and Freeport McMoRan of the US are among the fastest-growing big mining companies.

The Raw Materials Group of Sweden, which compiled the data, admits that RTZ can claim to be the world's largest mining company using many other criteria.

However, RMG draws up its league table by reference to the value of non-fuels minerals production controlled by each company. This method of assessment naturally gives most weight to production of high-value metals and minerals such as gold and diamonds. Not only is Anglo the world's biggest gold producer, RMG also counts De Beers, one of the world's big diamond producers, as an integral part of the Anglo group, not a separate mining company, even though it is quote separately.

Similarly, RTZ's 49 per cent-owned associated in Australia, CRA, is considered by RMG to be part of the UK group.

BHP, which in 1990 accounted for only 1.5 per cent of non-fuel minerals production outside the former eastern bloc countries, now has 2.5 per cent, mainly because of its huge step-up in copper production caused by its partly-owned Escondida mine in Chile. Freeport has moved up from 17th in the 1991 league table to 7th because of progressively increased output from its copper-gold mine in Indonesia.

Meanwhile, problems in the African copper belt, where there has been a lack of capital for investment for many years, saw Zaire drop from 14th to 25th position and its share of output from 1.1 to 0.7 per cent.

RMG points out that, in contrast, some of the world's most successful mining companies are state-controlled.

Who Owns Who in Mining 1994: £150 or US$310 and Roskill's Metal Databook 1994 £190 or $420 from Roskill Information Services, 2 Clapham Road, London SW9 0JA, UK.

TOP MINERS IN 1992
(ranked by share of total value of western world mine production of non-fuel minerals)

Company or state (1991 rankings in brackets)	Country	share (%)
1. Anglo American Corporation (1)	South Africa	7.7
2. RTZ Corporation (2)	UK	5.2
3. State of Brazil (4)		3.3
4. Broken Hill Proprietary (5)	Australia	2.5
5. State of Chile (3)		2.3
6. Gencor (12)	South Africa	1.6
7. Freeport McMoRan (17)	US	1.4
8. Imcera (16)	US	1.4
9. Inco (6)	Canada	1.3
10. Brascan/Noranda (7)	Canada	1.3
11. MIM Holdings (8)	Australia	1.3
12. State of Morocco (19)		1.2
13. State of France (11)		1.2
14. Asarco (10)	US	1.2
15. Phelps Dodge Corporation (9)	US	1.1
16. State of Malaysia (18)		1.1
17. Placer Dome (15)	Canada	1.0

Source: Roskill Information Services

Chilean copper saga ends as El Abra bid is accepted

By David Pilling in Santiago

Long and painful negotiations for 51 per cent of Chile's El Abra copper deposit came to a close yesterday when Codelco, the state copper company, accepted a revised offer of $330m from Cyprus Minerals of the US.

Cyprus has also agreed to lend the joint venture, to be called Sociedad Contractual Minera El Abra, $299m and to guarantee further bank finance of $699m to develop the deposit and construct an oxide-treatment plant.

The original Cyprus offer, in association with Canada's Lac Minerals, which pulled out in April, had been for $404m plus up to $151m in investment capital. The lower price – and Lac's withdrawal – came after discovery that the copper grade was 13.4 per cent lower than originally estimated.

El Abra, which is scheduled to start operating in mid-1997, is nevertheless expected to produce 225,000 tonnes of copper cathodes a year.

The lower grade means production costs are expected to increase from 45 cents to 48 cents a pound and the life of the mine to be reduced from 19 years to 16.

Mr Villarzú, Codelco president, said a letter of intent, to be accompanied by a guarantee for 10 per cent of the offer, would be signed soon. Final contracts would be concluded by June 30.

Mr Villarzú admitted that Codelco should have obtained a letter of intent when the first offer was made, and that it had prematurely given the impression that the deal was watertight.

Nevertheless, he stressed that Codelco had earned the Chilean treasury $330m plus a 49 per cent stake in profits. In return Codelco would not need to invest "a single peso", he said.

Danes propose two-tier pricing system for EU milk

By Deborah Hargreaves

Dairy farmers in the European Union could produce some of their milk at world prices and then sell it outside the EU as a way of beating restrictions imposed by EU milk quotas, according to a suggestion by the Danish Dairy Federation.

The federation made the proposal to the European Commission in February, but is now working out details of the plan, which is yet to be debated by agriculture ministers.

"We are still evaluating the pros and cons, but it would be a way of coping with the Gatt deal," said Mr Prebben Mikkelsen, head of the federation's economics department.

The Danish proposals would operate a two-tier pricing system with farmers producing the bulk of their milk under an "A" quota for which they would receive high EU prices. But "B" quotas would also be available for farmers who were able to produce a little extra milk at marginal cost for the export market.

Producers would be paid for this "B" milk at world prices, which are up to a third lower than internal EU prices. The system would also be voluntary for producers who wanted to add a few cows to supplement their income.

Mr Jens Jakob Jakobsen, a dairy farmer in northern Jutland with 112 cows echoes the scepticism of other producers when he says he is not sure he would produce more milk under such a system. "We could take on more cows but it depends on the price; I wouldn't do it at prices less than a third of what we get now," he says.

Many farmers are also concerned that the system would be difficult to police and would lead to erosion of prices for the rest of their output.

Denmark needs to secure its export markets as it produces three times more milk than it consumes. British farmers are sceptical that such a scheme would benefit them when quotas restrict output to only 85 per cent of the UK's needs.

Overall, farmers in the EU currently produce 4bn litres or 4 per cent more milk than is consumed. Some of this finds its way into the manufacture of dairy products and the EU's intervention system: the controversial butter mountains.

In addition, the EU pays a subsidy for dairy products to be exported outside the union. These subsidies must be cut under the terms of the Gatt settlement, making it hard for European exporters to retain overseas markets.

Mr Finn Christiansen, executive director of MD Foods, the large Danish dairy co-operative, says the two-tier system would be one way round the problem of losing part of the world market.

The EU has to cut subsidised cheese exports from a reference tonnage of 407,000 tonnes to 305,000 tonnes by 2000. But Mr Christiansen says the problem is more serious and will hit cheese hardest as EU exports to third countries reached 480,000 tonnes last year so the cuts will be greater.

In addition, the EU must open up its market to provide access for other dairy exporting nations, meaning it must absorb another 105,000 tonnes of cheese.

MARKET REPORT

LME copper prices finish near day's lows

Late liquidation in the London Metal Exchange COPPER market set off some stop-loss selling in the final minutes of after hours "kerb" trading, ensuring that the market finished near its lows.

The three months price finished the kerb session at $2,237 a tonne, down $38.

NICKEL prices fluctuated in a lower range as the market continued to re-trace from recent highs.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1320-1	1350-1
Previous	1336-9	1368-8.5
High/low	1323/1321.5	1360/1347
AM Official	1323-3.5	1350.5-51
Kerb close		1354-5
Open Int.	254,664	
Total daily turnover	47,969	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1340-50	1345-50
Previous	1350-5	1350-5
High/low		1345/1340
AM Official	1350-5	1345-50
Kerb close		1340-5
Open Int.	3,443	
Total daily turnover	366	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	477.5-8.5	495.5-6.5
Previous	483-4	501-2
High/low		500/492
AM Official	474-5	492-3
Kerb close		496-7
Open Int.	37,142	
Total daily turnover	6,639	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6385-90	6480-85
Previous	6480-90	6575-80
High/low		6520/6390
AM Official	6340-42	6435-40
Kerb close		6480-500
Open Int.	57,308	
Total daily turnover	9,406	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5515-25	5590-600
Previous	5645-55	5625-35
High/low		5650/5580
AM Official	5515-25	5590-5
Kerb close		5610-20
Open Int.	16,748	
Total daily turnover	2,337	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	946-7	971-1.5
Previous	952-3	977-8
High/low	945/944.5	978/965
AM Official	944.5-45	970-1
Kerb close		[illegible]
Open Int.	[illegible]	
Total daily turnover	[illegible]	

■ COPPER, grade A ($ per tonne)

[illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
May	383.8	-2.8	-	-	70	70
Jun	383.9	-2.9	386.3	382.5	41,465	41,119
Jul	385.4	-2.9	-	-	200	600
Aug	387.0	-2.9	389.4	385.5	53,029	16,984
Oct	390.2	-2.9	392.5	390.0	5,223	180
Dec	393.5	-2.9	395.7	392.0	22,472	3,142
Total					166,221	64,825

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	397.0	-7.3	403.5	394.0	17,082	2,747
Oct	399.5	-7.3	405.8	398.0	4,104	405
Jan	401.5	-7.5	405.5	403.5	1,059	2
Apr	403.5	-7.5	406.0	402.0	1,056	-
Total					23,301	3,154

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	133.90	-0.05	134.80	133.50	968	863
Sep	134.55	+0.19	135.50	134.45	3,525	847
Dec	135.19	+0.40	136.00	134.50	670	27
Mar	135.19	+0.40	-	-	6	-
Total					5,169	1,737

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
May	545.0	-8.3	555.0	544.0	95	94
Jun	545.0	-8.5	-	-	3	1
Jul	547.2	-8.5	557.5	541.0	85,084	23,514
Sep	552.1	-8.6	562.5	545.0	11,554	1,100
Dec	559.9	-8.7	569.5	553.5	17,717	1,013
Jan	561.6	-0.7	-	-	32	-
Total					129,271	25,294

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	17.64	-0.06	17.77	17.30	116,029	60,181
Aug	17.40	-0.19	17.55	17.29	53,800	23,478
Sep	17.30	-0.06	17.41	17.28	31,807	6,138
Oct	17.25	-0.06	17.30	17.25	22,691	2,818
Nov	17.26	+0.02	17.29	17.24	14,222	1,494
Dec	17.19	-0.03	17.27	17.19	29,666	3,612
Total					402,559	101,890

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL PE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	114.30	+0.25	114.45	114.00	629	43
Sep	99.35	+0.20	-	-	520	-
Nov	100.00	-	100.25	100.00	1,840	116
Jan	101.95	+0.19	102.15	102.15	1,208	42
Mar	103.45	+0.15	-	-	357	-
May	105.35	-	105.60	105.35	206	41
Total					4,760	242

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	321/6	-9/0	330/0	319/2	140,820	54,130
Sep	327/0	-9/4	336/0	325/4	42,790	15,550
Dec	338/4	-8/4	347/0	336/4	60,855	25,000
Mar	341/6	-8/6	350/4	341/4	5,840	1,805
May	338/6	-9/2	-	-	235	-
Jul	320/0	-4/0	322/0	318/0	615	20
Total					251,175	96,305

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	264/4	-2/2	266/2	261/2	606,185	161,705
Sep	259/0	-2/6	261/0	255/6	174,800	17,550
Dec	252/2	-2/4	254/2	249/2	435,465	106,619
Mar	258/6	-2/4	260/6	256/4	47,880	5,555
May	263/0	-2/2	264/4	261/0	5,515	600
Jul	264/4	-2/2	266/0	262/0	13,935	1,280
Total					1,298M	295,256

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	98.70	+0.30	-	-	170	-
Nov	100.15	+0.25	100.00	100.00	260	23
Jan	101.50	+0.35	-	-	30	-
Mar	102.85	-	-	-	19	-
May	104.65	-	-	-	4	-
Total					484	23

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	672/2	-2/6	675/0	668/0	313,850	282,770
Aug	670/0	-2/2	672/0	663/4	75,570	25,245
Sep	653/6	-2/2	658/4	647/0	43,860	11,775
Nov	641/0	-2/0	643/4	634/0	281,030	129,275
Jan	645/2	-2/4	648/6	639/0	23,180	3,140
Mar	652/4	-0/4	653/4	646/0	9,365	2,270
Total					765,960	438,670

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	27.74	-0.04	27.97	27.40	38,866	28,024
Aug	27.71	-	27.95	27.30	15,059	6,682
Sep	27.51	-0.07	27.75	27.15	10,794	1,741
Oct	26.90	+0.17	27.19	26.35	7,614	1,003
Dec	26.42	+0.19	26.55	25.75	20,067	9,968
Jan	26.35	+0.30	26.40	25.50	2,941	340
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

Wool

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	965	+2	980	970	10	14
Jul	1019	-14	1021	998	20,951	2,941
Sep	1026	-14	1040	1016	13,617	2,611
Dec	1047	-16	1060	1035	25,896	1,848
Mar	1066	-18	1079	1058	27,427	655
May	1073	-25	1087	1076	10,533	295
Total					112,463	8,517

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1330	-32	1374	1325	37,061	8,900
Sep	1356	-34	1402	1354	20,674	2,918
Dec	1391	-34	1425	1392	7,634	589
Mar	1419	-34	1451	1415	8,370	898
May	1451	-34	-	-	3,296	706
Jul	1473	-34	-	-	2,561	602
Total					82,360	14,834

■ COCOA (ICCO) (SDR's/tonne)

May 25	Price	Prev. day
Daily	1058.43	1091.32
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	2075	-150	2150	2065	358	66
Jul	2034	-173	2170	2000	13,314	4,037
Sep	1989	-178	2126	1970	10,505	4,455
Nov	1976	-176	2060	1945	5,767	828
Jan	1935	-177	2030	1955	6,307	724
Mar	1913	-162	1985	1920	2,418	307
Total					44,761	19,442

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	117.80	-6.95	124.25	117.50	25,646	10,252
Sep	115.40	10.19	121.75	115.19	16,011	5,899
Dec	116.55	-6.00	118.90	116.55	10,587	2,191
Mar	114.45	-6.00	115.25	114.45	5,719	536
May	113.80	-6.00	116.00	114.80	667	57
Jul	113.00	-8.00	-	-	81	-
Total					59,455	18,965

■ COFFEE (ICO) (US cents/pound)

May 25	Price	Prev. day
Comp. daily	119.61	125.18
15 day average	111.22	109.38

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.30	+0.15	12.14	12.14	2,548	100
Oct	12.47	+0.22	-	-	1,046	-
Jan	11.82	-	-	-	-	-
Mar	12.19	+0.17	-	-	80	-
Total					[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	63.975	+0.600	63.975	62.300	-	-
Aug	64.825	+0.500	64.825	63.075	-	-
Oct	67.450	+0.500	67.450	65.700	-	-
Dec	68.500	+0.500	68.900	67.200	-	-
Feb	69.600	+0.500	69.600	67.900	-	-
Apr	71.200	+0.500	71.200	69.400	-	-
Total					77,580	20,295

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	47.425	+0.375	47.950	46.800	-	-
Jul	47.275	-0.100	48.050	46.950	-	-
Aug	46.100	+0.150	46.700	45.550	-	-
Oct	42.775	-	43.400	42.575	-	-
Dec	43.650	-0.100	43.950	43.300	-	-
Feb	43.800	+0.100	44.200	43.550	-	-
Total					30,130	8,684

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	41.225	-0.400	42.250	41.000	-	-
Aug	40.825	-0.175	41.850	40.200	-	-
Feb	49.925	-0.825	50.500	49.750	-	-
Mar	49.100	-0.975	50.050	49.100	-	-
May	52.850	-0.400	52.850	51.750	-	-
Jul	52.000	-2.000	52.000	52.000	-	-
Total					7,903	4,663

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1325	58	91	32	41
1375	34	65	57	63
1425	16	44	90	92
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2200	100	103	69	101
2250	76	81	94	128
2300	56	63	124	159
■ COFFEE LCE	Jul	Sep	Jul	Sep
1800	256	314	22	115
1850	217	285	33	136
1900	181	257	47	158
■ COCOA LCE	Jul	Sep	Jul	Sep
900	112	140	2	12
925	90	121	5	16
950	69	103	9	26
■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
[illegible]				

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

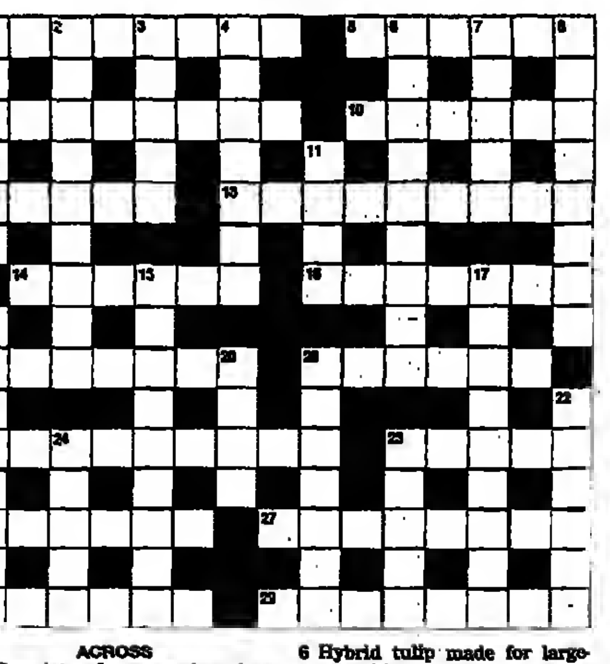
[illegible]

■ OTHER

[illegible]

CROSSWORD

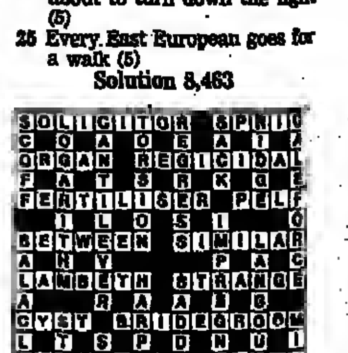
No.8,464 Set by FETTLER



ACROSS
1 Consist of comprehensive wage increase (8)
5 Macaroni or potato crusher (6)
9 Roughly tear into then warn off (8)
19 How declaimer speaks – shoots right out (6)
12 Old doctor or field surgeon (5)
13 Frit, ere I'd tremble, being just that (9)
14 Abstainer discovered in German lager a typical English ale (6)
16 In sprints, Linford could run Ken legless (7)
19 Wildly enraged (7)
21 In Paraguay a time of fasting leads to abundance (6)
23 A bit of perfume sprayed emir's garb (9)
25 Very pale, as chicken should be (5)
26 We must guard ourselves against showing passion (6)
27 What eases refuse collection in Berlin perhaps (3-5)
28 Passé, as in older trade models (6)
29 Gen was inaccurate, having been deduced (8)

DOWN
1 Cephalopod sinks missing ship (6)
2 Trading foreign currency? Then get in exchange (9)
3 To deliver a sermon, parson left to communicate (5)
4 Make allowance for less noisy Greek herald (7)
6 Hybrid tulip made for largeness (9)
7 Time I made up to voluptuous woman (5)
8 Head of state rejected capital, although living there (8)
11 Initially a ride in desert shows how dry it is (4)
15 Reverse the whole process (9)
17 Thickener cooked in stove (9)
18 Measure Arab dances in his element (8)
20 A challenge for Captain Dan (4)
21 One taken in to transmit enthusiasm (7)
22 Accustomed to being hurt, out of joint initially (6)
24 In night attire robed, I'm about to turn down the light (5)
25 Every East European goes for a walk (5)

Solution 8,463



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Shares hold steady in nervous trading session

By Terry Byland, UK Stock Market Editor

A calmer mood prevailed in the UK stock market yesterday as investors came to terms with the blood-letting of the previous session. Confidence was challenged again on three occasions when the FT-SE futures contract bounced on the 3,000 support level, but the stock market closed little changed after moving narrowly during the session.

At the final reading of 3,019.7, the FT-SE Index showed a fall of only 1 point on the day. The FT-SE Mid 250, on the other hand, fell 13 points to 3,616.4 as the broader market waited for a more convincing lead from the blue chips.

London opened firmly as a few bargain hunters were encouraged by improvement in the German bund. For a while, the UK stock market stood up against further falls in British government bonds, but it proved unable to do so when the stock index futures turned down.

A gain of 10.5 on the Footsie turned to a fall of 16 within the first hour of trading, but 3,004.7 proved to be the day's low. For the rest of the session, the stock market followed the futures market, trying unsuccessfully to move ahead and dipping very briefly into negative territory again in mid-afternoon.

The general picture was one of nervousness, and reports of some buying at lower levels by the big investment institution were not borne out by the trading volume statistics. However, some analysts believe that UK stocks are undervalued at current levels.

Account Dealing Dates		
*First Dealings:		
May 16	Jun 6	Jun 20
Option Declarations:		
Jun 2	Jun 16	Jun 30
Last Dealings:		
Jun 3	Jun 17	Jul 1
Account Day:		
Jun 13	Jun 27	Jul 11

*New time dealings may take place from two business days earlier.

Seaq-reported business of 613.5m shares compared with 646.1m on the previous session. Stock Exchange statistics disclosed that retail business on Wednesday, when the Footsie dropped by 2.2 per cent, was worth £1.49bn, which was by no means a high volume figure.

At least two trading programmes were identified, only one of which was of significant size. But for the most part, the London stock market continued to watch the European markets, which benefited from good inflation figures in Germany.

Towards the close, shares brightened when Wall Street opened higher but the pace flagged as the Dow turned less decisive to show a minor fall as London closed down for the day.

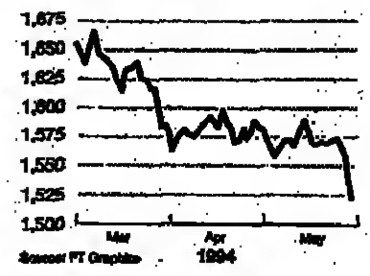
Traders commented that the market was beginning to slow down ahead of the holiday closure on Monday of markets in London and New York. Today brings further tests for the markets in the form of important reports on economic progress on both sides of the Atlantic.

The Confederation of British Industries presents its monthly report on business trends in the domestic economy. Investors will look carefully for signs that export volumes are recovering with the improvement in economic activity in Europe.

In the US, investors will today scan the gdp figures for the first quarter, and in particular the deflator figure which will give the Federal Reserve its latest guide to inflation pressure in the US economy.

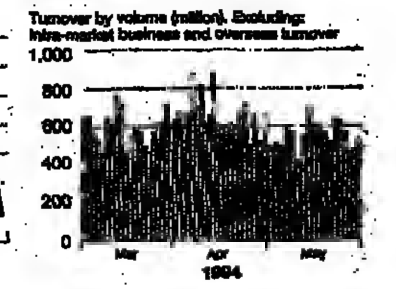
Traders warned that the equity market remains at the mercy of the bond markets which, in turn, are dependent upon trends in German and US fixed interest stocks. With German interest rates now evidently on hold for the time being, the focus is expected to be on the US markets. An unimpressive performance by the US dollar since last week's decisive hike in key rates has left markets fearing that the Fed may feel obliged to act again soon.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3019.7	-1.0	FT Ordinary Index	2392.6	-6.2
FT-SE Mid 250	3616.4	-13.0	FT-SE-A Non Fins p/e	19.62	(19.56)
FT-SE-A 350	1531.0	-1.6	FT-SE 100 Fut Jun	3007.0	+8.0
FT-SE-A All-Share	1524.54	-2.08	10 yr Gilt yield	8.36	(8.32)
FT-SE-A All-Share yield	3.85	(3.84)	Long gilt/equity yld ratio:	2.22	(2.23)

Best performing sectors		Worst performing sectors	
1 Spirits, Wines & Cider	+1.2	1 Water	-1.8
2 Media	+0.8	2 Oil Exploration & Prod	-1.2
3 Extractive Inds	+0.4	3 Life Assurance	-1.0
4 Electricity	+0.4	4 Household Goods	-1.0
5 Other Services & Bsns	+0.4	5 Chemicals	-0.8

Heavy fall for Shoprite

The shock profits warning from Shoprite sent the shares crashing to end a tortuous session 54 down at 90p with turnover a hefty 2.5m. Dealers said they expected more pressure to come as investors, many of who came in at much lower levels, decide to take profits in one of the sector's best performing stocks.

Analysts pointed out that the Shoprite tumble followed recent disappointments from other discounters such as Argyll's Lo-Cost arm, Nurdin & Peacock and Kwik Save, and reinforced the market view that the discount end of the market was under severe pressure. Nurdin's was steady at 199p, while Kwik Save slipped a penny to 540p.

Shoprite shares have climbed steeply since early 1991, when they stood at 20p, as the discount food retailer embarked on a big expansion strategy centred on southern Scotland. They hit 241p at the beginning of February since when they have retreated steadily, being particularly weak in recent sessions.

Yesterday, the company was blaming stiff competition for the downturn in profits, with brokers halving their forecasts to around the £4.5m for the current year.

Trafalgar hit

Turnover in conglomerate Trafalgar House rose to 17.9m, making it the day's most heavily traded stock, and the shares fell 9 to 86p, after analysts rushed to downgrade full year profit expectations following the group's interim figures.

Profits of £13.4m fell below market expectations and the group also cut the dividend.

The list of brokers downgrading included BZW which reduced its full year forecast by £31m to £54m. Mr Mark Cusack at the securities house said: "Investors that gave the company the benefit of the doubt have been badly let down. The potential is still there but recovery now looks another year out."

C&W busy

Preliminary profits at the very top end of market estimates saw Cable & Wireless shares outperform the rest of the market and the telecoms sector to close a net 2 higher at 450p. Earlier the shares had risen to 457p. Profits up 18 per cent at £1.09bn, against £918m, compared with a consensus forecast of around £1.05bn.

"These were good profits numbers," said one analyst, "but there was some disappointment in the market with the dividend." The dividend total was increased by 11 per cent to 8.25p; best estimates in the market ranged up to 15 per cent.

Turnover in C & W came out at a healthy 9.2m shares, the highest single day's business in the stock since March.

The announcement by Channel tunnel operator Eurotunnel of its well-signposted rights issue left the shares trailing 7 at 348p. However, doubts about the financial position of the group remain and one analyst pointed out that the rights issue and the the new financing from the group's creditor banks was still short of the £1.6bn Eurotunnel had said it needed.

The electricity companies raced ahead in the wake of recent strong buy notes from leading brokers, notably Kleinwort Benson. The broker said the recs offer outstanding value, with huge potential upside from the National Grid, plus the potential for share buy backs and takeover moves after the expiry of the golden shares in March 1995.

London Electricity jumped 18 to 578p, and Manweb and Midland 10 apiece to to 706p and 614p.

Enterprise Oil shares suffered badly from the latest shots fired by Lasmo as part of its defence against the all-paper takeover bid. Sniping about Enterprise's accounting policies unsettled Enterprise shares which dived 9 to 401p. They have retreated from 451p since Enterprise announced it was considering making a takeover bid.

Burmah Castrol dipped 9 to 862p as one of the market's optimistic broking houses was said to have trimmed its numbers for the company following the presentations to analysts on Wednesday afternoon. "The presentation was splendid but obviously someone had overdone their estimates," said one oil sector specialist.

Shell slipped 1¼ to 710½p with analysts speculating that much of the big fall the previous day had anticipated news that the European Commission had been advised to oppose the chemicals joint-venture with Italy's Montedison.

The disposal of 450 pubs by Scottish and Newcastle helped the brewer to gain 2 to 519p. The sale was made to a private consortium to satisfy the company's obligations under the government's industry regulations following the purchase of 1,600 Chef & Brewer pubs last September.

Disappointing interim results and a discouraging statement hit shares of J.Smart, the Edinburgh-based building contractor and housebuilder, which fell 28 to 195p.

Sharpe & Fisher, the builders merchants jumped 7 to 163p after the chairman said at the company's annual meeting that profits in the first four months of the year are "substantially ahead of 1993."

A positive agm statement from Wm Morrison Supermarkets, the northern supermarket group, helped the shares edge forward 2 to 130p.

Solid results from Storehouse were not enough to prevent the shares slipping back 3 to 212p, although volume was only a moderate 2.1m. Profits were in line with market expectations, and the increased dividend pleased some sceptics. However, some concerns were being expressed among stores specialists about continued margin pressure.

Good results from MacDonald Martin Distillers was further confirmation for many observers that the upswing in the whisky industry is now well under way. The shares gained 35 to 480p, and also enlivened Allied Lyons, up 5 at 580p, and Guinness, ahead at 6 at 482p.

Smith New Court was said to be pushing Granada, up 7 at 497p.

Composite insurances held up well with General Accident rallying from an early 535p to close unchanged on balance at 540p in the wake of a strong buy recommendation from Hoare Govett. The broker said General Accident "is at least 10 per cent undervalued."

A James Capel recommendation lifted Chubb Securities 8 to 368p.

APV eased 4¼ to 119¼ with Cazenove, the company's broker, said to be negative on the stock.

Motor distributor Jessups jumped 28 to 126p, after an agreed offer from BSG which eased 5¼ to 69p.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (18).
BUILDING & CNSTRN (1) Durton, BLDG MATLS & MCHTS (1) Shaw (A), DISTRIBUTORS (1) Jessups, ELECTRNC & ELECT EQUIP (1) Mitsubishi, ENGINEERING (1) Kelsey, EXTRACTIVE INDS (2) Ashanti, Consld. Murchison, INSURANCE (1) Amerham Int'l., INVESTMENT TRUSTS (3) LEISURE & HOTELS (1) Eurocamp, OIL EXPLORATION & PROD (1) RETAILERS, FOOD (0) RETAILERS, GENERAL (2) Liberty, Do NV., SPIRITS, WINES & CIDERS (1) Macdonald Martin 'A'.
NEW LOWS (289).
GILTS (24) BANKS (6) ANZ, Abbey National, Anglo Irish, NatWest, Standard Chartered, TSB, BUILDING & CNSTRN (8) Barr, Berkeley, Donelon Tyson, Higgs & Hill, Laing J. A., Persimmon, Prowting, Smart (J), BLDG MATLS & MCHTS (10) CHEMICALS (1) AGA, DISTRIBUTORS (3) Central Motor Auctions, Heritage, DIVERSIFIED INDLS (6) ELECTRNC & ELECT EQUIP (7) Amstrad, BICC 10¾pc Cv2020, Blick, Greasby, Silverrines, Tunstall, Verity, ENGINEERING (7) Brit. Aero. 7¾p Prf., David Brown, Morgan Crucible, Oxford Instr., Rotork, Siebe, Sraine Inds., EXTRACTIVE INDS (4) Dragon Mining, East Rand Prp., English China Clays, NSM, FOOD MANUF (4) HEALTH CARE (6) Amersham Int'l., CrestaCare, Life Sciences Intl., Shield Diagnostics, Takare, HOUSEHOLD GOODS (5) Airsprung Furniture, Black (P), Joyce, Lionheart, Silentnight, INSURANCE (9) INVESTMENT TRUSTS (66) INVESTMENT COMPANIES (1) LEISURE & HOTELS (1) LIFE ASSURANCE (4) Britannic, Lloyds Abbey, London & Manchester, Refuge, MEDIA (4) CentreGold, Pearson, Scottish TV, United News., MERCHANT BANKS (1) OTHER FINANCIAL (9) OTHER SERVS & BUSNS (1) PRTNG, PAPER & PACKG (2) PROPERTY (18) RETAILERS, FOOD (1) Shoprite, RETAILERS, GENERAL (14) SUPPORT SERVS (4) Davis Service, Elec. Data Procg., McDonnell Info., Virtuality, TEXTILES & APPAREL (3) British Mohair, Honeysuckle, Sirdar, TRANSPORT (7) WATER (0) CANADIANS (3).

EQUITY FUTURES AND OPTIONS TRADING

Derivative dealers reported a volatile session in stock index futures which saw the June contract recover from the previous day's slide to close above 3,000, *writes Joel Kibazo.*

The opening of the June contract on the FT-SE 100 at 3,022 was better than anticipated by dealers. However, strong selling, attributed to Goldman Sachs was said to have been the cause of the early retreat in the contract.

Thereafter, June followed the erratic mood in the bond markets, though occasionally went its own way on dealing by independent traders. At the day's low, June fell to 2,990 before bouncing to return above the 3,000 level, a move repeated several times. The contract led the cash market for most of the day.

The firm opening on Wall Street helped steady June and it closed at 3,008, up 9 on its previous close but at a 13 point discount to cash. Volume was again good, reaching 15,702 contracts by the close. In the June Mid 250 on the FT-SE, 165 lots were dealt as the contract closed at 3,597.

In traded options, Volume fell back from Wednesday's high levels and closed at 31,160 contracts. Of that total, 18378 was traded in the FT-SE 100 option and 1,925 in the Euro FT-SE.

Prudential Corporation was the most active stock option with a total of 1,064 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3022.0	3007.0	+8.0	3025.0	2990.0	15702	51272
Sep	3036.0	3021.5	+7.0	3036.0	3010.0	1418	6388
Dec	-	3031.0	+7.0	-	-	0	251

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3600.0	3597.0	-3.0	3600.0	3600.0	165	4043
Sep	3617.0	3613.0	-4.0	3617.0	3617.0	80	578

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	3590.0	3600.0			5½	771

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3021) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

Calls & Puts: Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	May 26	Day's chge%	May 25	May 24	May 23	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3019.7	—	3020.7	3089.1	3108.4	2865.3	4.08	6.83	17.61	40.79	1123.66
FT-SE Mid 250	3616.4	-0.4	3629.4	3691.4	3709.3	3169.6	3.42	5.62	21.65	40.66	1328.49
FT-SE Mid 250 ex Inv Trusts	3626.4	-0.3	3638.3	3700.7	3719.4	3167.1	3.55	6.06	20.26	41.40	1328.10
FT-SE-A 350	1531.0	-0.1	1532.6	1565.3	1574.6	1422.7	3.82	6.55	18.34	19.67	1165.92
FT-SE SmallCap	1893.01	-0.5	1902.20	1916.86	1922.50	1617.80	2.93	4.21	29.18	18.18	1452.80
FT-SE SmallCap ex Inv Trusts	1870.76	-0.4	1878.93	1881.39	1898.22	1630.51	3.09	4.66	26.76	19.55	1438.78
FT-SE-A ALL-SHARE	1524.54										

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	10,000	55½	+¼
Abbey National†	3,700	391	+1½
Albert Fisher	634	56	
Allied-Lyons†	1,300	580	+5
Anglian Water	418	477	-10
Argos	498	354	+5
Argyll Group†	2,800	242½	+4½
Arjo Wiggins†	2,800	273	+4
Assoc. Brit. Foods†	334	565	-8

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	57	5
Other Fixed Interest	2	0	13
Mineral Extraction	50	68	83
General Manufacturers	97	202	365
Consumer Goods	34	53	104

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FT GOLD MINES INDEX

FINANCIAL TIMES EQUITY INDICES

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.1	ϕ
ANZ A$		209½	-5½	[illegible]	209½	2,772	4.4	16.4
Abbey National	NC	391	+1½	[illegible]	395	5,129	4.5	13.1
Allied Irish IE	♣NC	242	—	314	241	1,584	5.2	9.3
Anglo Irish IE	♣NC	51	-1	‡70	51	175.6	8.7	9.1
Asahi Y		742¼	[illegible]	[illegible]	628	17,224	0.6	ϕ
Banco Bil Viz Pta		[illegible]	[illegible]	[illegible]	[illegible]	3,652	5.2	7.1
Banco Sant Pta		[illegible]	—	[illegible]	[illegible]	3,388	4.5	ϕ
Bk Ireland IE	♣	[illegible]	+1	‡318	246	1,387	4.8	ϕ
Bank Scotland	♣NC	177½xd	+1½	247	174	2,067	3.8	14.5
9¼pc Pf		117½xd	[illegible]	141½	115¾	117.5	9.8	–
9¾pc Pf		123xd	[illegible]	149½	122	123.0	9.9	–
Barclays	♣NC	523	-4	640	487	8,508	5.6	21.7
Dai Ichi Kan Y		[illegible]	[illegible]	[illegible]	[illegible]	38,181	0.4	69.4
Deutsche DM		[illegible]	[illegible]	[illegible]	[illegible]	14,141	2.0	–
Espirito Santo		[illegible]	—	[illegible]	[illegible]	207.1	4.1	4.7
First Nat Fin	NC	75	—	‡90	60	124.3	2.5	–
6.3pc Cv Pf		84	—	‡90	77	5.65	9.4	–
7pc Cv Pf		146	-½	171	123	69.3	6.0	–
Fuji Bank Y		1602¼	[illegible]	1549¼	1152½	49,529	0.4	ϕ
HSBC HK	NC	786	+9	1135	687	13,275	3.9	13.0
HSBC (75p Stg)	NC	734xd	+9	1113	668	6,209	4.0	12.7
Lloyds	NC	548	-2	680	532	7,082	5.0	11.8
Mitsubishi Y		[illegible]	[illegible]	[illegible]	£15⅞	50,680	0.5	ϕ

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

TOBACCO

TRANSPORT

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt CapEm	Yld Gr's	P/E
Anglo Am Ind		£26½	—	£26½	£13½	1,082	2.8	19.4
Barlow		£9¾	+¼	£9⅝	£3½	1,006	8.4	0.3
Gold Flds Prop R		191	+2	198	76	10.3	9.9	9.9
MK Props		59	—	83	67	3.02	9.9	37.0
SASOL	♥	348	+7	382	256	1,928	4.0	-
SA Brews		£13½	—	£15⅛	£10	7,308	2.0	22.3
Tiger Oats	†	886	—	936	538	1,003	2.3	14.4
Tongaat-Hulett	†	646	-1	647	434	483.5	2.3	13.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed

q Earnings based on preliminary figures.
n Dividend yield excludes a special payment.
‡ Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

estimates for 1993.
§ Yield based on prospectus or other official estimates for 1994.
L Estimated annualised yield, p/e based on latest annual earnings.
¶¶ Yield based on prospectus or other official estimates for

Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1295 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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Scottish Equitable plc - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pens Pacific	493.2	519.2	+0.4	-
Pens UK Fixed Interest	351.9	370.5	-3.3	-
Pens Index Linked	193.5	203.6	-2.0	-
Pens Cash	[illegible]	[illegible]	+0.034	-
Pens Property	249.28	258.24	—	-
Pens Ethical	165.5	174.2	-0.6	-
Edinburgh Inv	384.4	404.6	—	0
Baillie Gifford Japan	261.1	274.8	-0.2	-
Pens Global	108.6	114.4	-0.7	-
Pens Emerg Mkts	130.0	136.8	+0.3	-
Pens Overseas Bond	93.7	98.6	-0.1	-
Pens UK Smaller Cos	96.5	101.6	-1.1	-
Pens Latin America	84.5	88.9	-0.1	-

Scottish Life Investments
10 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	217.8	229.2	+0.1	-
UK Equity	341.1	359.1	-1.6	-
American	240.7	253.0	+1.3	-
Pacific	378.1	398.1	—	-
European	479.9	505.2	-3.0	-
International	316.0	332.7	—	-
Fixed Interest	226.6	238.6	+0.4	-
Index Linked	188.5	198.6	-0.9	-
Deposit	191.0	201.1	—	-
Managed	281.3	296.2	-0.4	-
Worldwide	126.7	133.4	-0.6	-
With Profits Pens	91.3	96.2	—	-
Pens. Property	255.1	268.6	—	-
Pens. UK Equity	408.1	429.7	-1.1	-
Pens. American	279.7	294.5	+1.7	-
Pens. Pacific	435.6	458.6	-0.1	-
Pens. European	578.9	609.5	-4.0	-
Pens International	374.1	393.9	—	0
Pens. Fixed Int	285.0	300.1	+0.3	-
Pens. Index Linked	205.1	216.0	-0.9	-
Pens. Deposit	256.6	270.2	—	-
Pens. Managed	338.5	356.4	-0.4	-
Pens. Worldwide	134.5	142.1	-0.6	-

Scottish Mutual Assurance plc
109 St Vincent St, Glasgow 041-248 6321

	Bid Price	Offer Price	+ or -	Yield Gross
Far East May 17	1637.6	1698.2	—	-
Pen Mngd Apr 31	[illegible]	1408.0	—	-

Scottish Provident Group

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Wesleyan Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Allied Dunbar International Assce Ltd

CMI Insurance Co Ltd

Century Life International

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Friends Provident International

Hansard International Ltd

Isle of Man Assurance Ltd

Lombard International Assurance

Professional Investment Consultants

Providence Capital International Ltd

Royal Skandia Life Assurance Ltd

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Ltd

Sun Life International (IOM) Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Dean de Vere PLC

DBS Financial Management plc

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

IFS Capital Management PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dowie Invest Mngt Plc

Roxborough Financial Management Ltd

Sheppards Moneybrokers Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

Orion Fund Limited

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Lazard Fund Managers (C.I.) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (C.I.) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

Wells Fargo Nikko Inv Adv Gsy Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Baring International Fd Managers (Ireland) Ltd

Coutts & Co Fund Managers Limited

Dresdner Intl Management Services Ltd

Federated International Funds Plc

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Gartmore Capital Management Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Bank of Ireland Unit Managers Ltd

Bank of Ireland Unit Managers Ltd - Contd.

Barclays International Funds - Contd.

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

Dollar woes continue

The dollar was stable on foreign exchanges yesterday, but showed no signs of rallying from recent lows, *writes Philip Gawith.*

Dealers said persistent bearish sentiment was depressing the dollar, while preparations for the long weekend made investors wary of taking positions. The Bank of Japan was seen supporting the US currency during Asian trading.

The dollar closed in London at DM1.6438 from DM1.6447. Against the yen it was slightly weaker at Y104.405 from Y104.455.

The Bank of England was reported to have intervened in the market to support the Canadian dollar. The North American currency closed in London at C$1.3862 against the dollar from C$1.3818 on Wednesday.

In Europe the drachma and the escudo remained under pressure. The Bundesbank left official interest rates unchanged at its council meeting.

Sterling had a quiet day, with the sterling index closing at 79.9 from the previous close of 80. The pound closed at DM2.4821 from DM2.4848, and was barely changed at $1.51.

■ Looking at the dollar's lacklustre performance, Mr Mark Geddes, treasury economist at Midland Global Markets, said neither growth nor interest rate arguments seemed to offer much support to the currency.

"The only thing preventing the dollar from falling further is the threat of central bank intervention," said Mr Geddes.

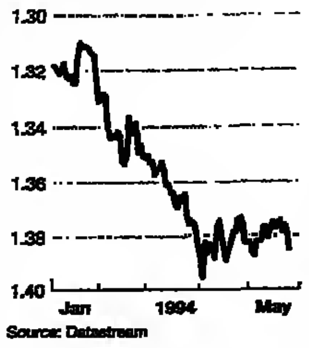
He predicted, though, that central bank intervention would only be seen when the market was considered to be short of dollars – not the situation at present.

Mr Geddes argued that support for the dollar can only come from concrete trade and market-access proposals from the Japanese government that are acceptable to the US authorities. These would probably be timed to coincide with the G7 summit in Naples in early July.

This assumes – a big if – that prime minister Mr Tsutomu Hata will have the requisite authority to deliver substantive change.

Canadian dollar

Against the US$ (C$ per US$)



Source: Datastream

■ **Pound in New York**

May 26	Latest	Prev. close
£ spot	1.5105	1.5095
1 mth	1.5096	1.5085
3 mth	1.5083	1.5073
1 yr	1.5050	1.5052

■ Dealers said the Bank of Canada had been seen buying Canadian dollars through the broker market. Last week the BOC was seen selling Canadian dollars.

Some analysts attributed the currency's weakness to political uncertainty ahead of elections in Quebec and overnight rumours that Canadian debt might be downgraded.

Although the BOC is known for its active involvement in the market to smooth the dollar, it was also suggested that being seen to sell its own currency last week had backfired on the central bank.

Mr Nick Parsons, treasury economist at CIBC in London, disputed this assessment saying: "By dealing on both sides of the movement, they have shown themselves to be extremely professional." He described the Bank's intervention as "well judged, well timed and well conceived."

Mr Parsons predicted that the dollar would probably be volatile in the run-up to the Quebec elections, expected in September. He noted that there had been similar currency volatility ahead of the Meech Lake and Charlottetown constitutional accords, in June 1990 and October 1992.

■ In Greece, the prime minister Mr Andreas Papandreou declared victory in the government's defence of the currency. He said: "The battle for the drachma is continuing and is critical, but it has been won...I think that essentially the drachma issue is closed."

He said the issue of high interest rates, necessary in recent weeks to support the currency, would be over "within a few days, or a week or two at most." Key interbank rates are in three digits, and banks have started to raise rates to customers.

The prime minister's optimism was not shared in the markets where traders reported seeing a lot of private individuals trying to get their money out of Greece. Talk of a 15-20 per cent devaluation, in the air at the end of last week, has resurfaced.

Dealers said the drachma's woes were spilling over into the escudo. The Portuguese currency closed at Es104.1 against the D-Mark from Es103.5 on Wednesday. In fact, the escudo had been under fire in March and early April, before the drachma.

Some analysts said that the weakness of the escudo, drachma and Italian lira – which closed at L970.6 against the D-Mark from L969 – was the result of investors fleeing the high-yielding Southern European countries for the safety of the D-Mark.

■ The futures market had a calmer day after the recent bout of frenetic trading. The December euromark contract traded 36,000 lots and closed at 94.79, two basis points up on Wednesday. The December eurosterling contract traded nearly 18,000 lots to finish at 93.83 from 93.80.

In the German money markets, call money eased to 5.15/5.25 per cent from 5.25/5.35 per cent. The Bank of England, meanwhile, cleared a £800m shortage in the UK money markets with relative ease. Overnight money traded between 3½ and 5½ per cent.

■ **OTHER CURRENCIES**

May 26	£	$
Hungary	155.328 - 155.496	102.900 - 102.950
Iran	2631.00 - 2637.00	1748.00 - 1750.00
Kuwait	0.4486 - 0.4519	0.2972 - 0.2992
Poland	33775.1 - 33832.9	22375.0 - 22400.0
Russia	2884.47 - 2870.51	1897.00 - 1901.00
U.A.E.	5.5409 - 5.5522	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

May 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.4550	-0.0218	460 - 640	17.4725	17.4225	17.4512	0.3	17.4458	0.2	-	-	114.2
Belgium	(BFr)	51.1118	-0.0267	664 - 572	51.1820	51.0070	51.1268	-0.4	51.1368	-0.2	50.9768	0.3	115.4
Denmark	(DKr)	9.7227	-0.0034	171 - 282	9.7291	9.7071	9.7304	-0.0	9.7385	-0.7	9.7560	-0.3	115.5
Finland	(FM)	8.1658	-0.01	546 - 769	8.1920	8.1350	-	-	-	-	-	-	81.3
France	(FFr)	8.4847	-0.0125	804 - 877	8.4987	8.4666	8.4888	-0.7	8.4941	-0.5	8.4723	0.1	108.6
Germany	(DM)	2.4821	-0.0027	809 - 832	2.4880	2.4768	2.4826	-0.2	2.482	0.0	2.4672	0.6	124.1
Greece	(Dr)	372.120	-4.227	488 - 752	373.801	368.123	-	-	-	-	-	-	-
Ireland	(I£)	1.0177	-0.0024	169 - 185	1.0196	1.0156	1.018	-0.4	1.0186	-0.4	1.0199	-0.2	104.6
Italy	(L)	2408.74	-0.3	743 - 004	2412.02	2402.29	2413.94	-2.6	2423.80	-2.5	2460.09	-2.1	77.7
Luxembourg	(LFr)	51.1118	-0.0267	664 - 572	51.1820	51.0070	51.1268	-0.4	51.1368	-0.2	50.9768	0.3	115.4
Netherlands	(Fl)	2.7835	-0.0042	819 - 850	2.7855	2.7792	2.7832	0.1	2.7839	-0.1	2.7687	0.5	118.3
Norway	(NKr)	10.7502	-0.0043	443 - 560	10.7613	10.7358	10.7445	0.6	10.7571	-0.3	10.7482	0.0	95.7
Portugal	(Es)	258.278	-0.96	974 - 581	258.894	257.379	259.253	-4.5	261.198	-4.5	-	-	-
Spain	(Pta)	204.546	-0.144	447 - 644	204.801	204.385	205.011	-2.7	205.881	-2.6	208.496	-1.9	88.1
Sweden	(SKr)	11.6895	-0.0442	804 - 987	11.7425	11.6824	11.7111	-2.2	11.7416	-1.8	11.8306	-1.2	78.3
Switzerland	(SFr)	2.1192	+0.0006	175 - 208	2.1209	2.1122	2.1178	0.8	2.1144	0.9	2.0882	1.5	117.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.9
Ecu	-	1.2893	-0.001	883 - 902	1.2906	1.2873	1.2912	-1.7	1.2812	2.5	1.2857	0.3	-
SDR	-	0.938367	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5072	-0.0009	366 - 077	1.5081	1.5048	-	-	-	-	-	-	-
Brazil	(Cr)	2738.52	-88.46	783 - 941	2741.00	2644.00	-	-	-	-	-	-	-
Canada	(C$)	2.0931	-0.0054	910 - 942	2.0945	2.0843	2.0947	-0.6	2.0985	-1.6	2.1148	-1.0	88.5
Mexico	(New Peso)	4.9960	-0.0167	889 - 070	5.0070	4.9847	-	-	-	-	-	-	-
USA	($)	1.5100	-0.0009	095 - 104	1.5110	1.5075	1.5091	0.7	1.5076	0.6	1.5045	0.4	65.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0607	-0.0027	593 - 620	2.0630	2.0554	2.06	0.4	2.0584	0.4	2.0574	0.2	-
Hong Kong	(HK$)	11.6652	-0.0069	609 - 694	11.6725	11.6463	11.6571	0.6	11.6532	0.4	11.6802	-0.1	-
India	(Rs)	47.3671	-0.0283	492 - 850	47.3960	47.2980	-	-	-	-	-	-	-
Japan	(Y)	157.647	-0.169	562 - 731	157.820	156.870	157.257	3.0	156.432	3.1	152.322	3.4	184.3
Malaysia	(M$)	3.9025	-0.0182	998 - 051	3.9163	3.8991	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5673	+0.0002	654 - 691	2.5738	2.5630	2.5688	0.3	2.5702	-0.4	2.5767	-0.4	-
Philippines	(Peso)	40.9167	-0.0244	810 - 584	41.1630	40.8800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6626	-0.0034	606 - 645	5.6663	5.6539	-	-	-	-	-	-	-
Singapore	(S$)	2.3163	-0.0044	146 - 177	2.3180	2.3125	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5166	-0.0275	127 - 205	5.5368	5.4981	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2554	-0.1175	381 - 726	7.3681	7.2211	-	-	-	-	-	-	-
South Korea	(Won)	1217.85	-0.58	741 - 829	1210.82	1210.10	-	-	-	-	-	-	-
Taiwan	(T$)	40.6744	-0.0024	320 - 167	40.9700	40.8200	-	-	-	-	-	-	-
Thailand	(Bt)	38.0357	-0.0302	092 - 621	38.0670	37.9740	-	-	-	-	-	-	-

†SDR rate for May 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.5800	-0.0075	575 - 625	11.5730	11.5460	11.5675	-0.8	11.569	-0.3	11.4828	0.7	103.4
Belgium	(BFr)	33.8500	+0.0025	300 - 700	33.8700	33.7870	33.88	-1.1	33.92	-0.8	33.885	+0.1	104.8
Denmark	(DKr)	6.4391	+0.0016	373 - 408	6.4445	6.4265	6.4486	-1.8	6.4616	-1.4	6.4671	-0.4	104.3
Finland	(FM)	5.4080	-0.0034	022 - 137	5.4288	5.3914	5.4105	-0.6	5.4125	-0.3	5.4255	-0.3	78.1
France	(FFr)	5.6188	-0.0049	180 - 195	5.6292	5.6115	5.6253	-1.4	5.6342	-1.1	5.606	0.2	104.8
Germany	(D)	1.6438	-0.0009	435 - 441	1.6460	1.6408	1.645	-0.9	1.6464	-0.6	1.64	0.2	105.3
Greece	(Dr)	246.445	+2.945	100 - 790	247.600	244.000	247.795	-6.6	248.845	-3.6	250.945	-1.6	70.1
Ireland	(I£)	1.4837	-0.0025	829 - 844	1.4860	1.4818	1.4823	1.1	1.4801	1.0	1.4767	0.5	-
Italy	(L)	1595.24	+1.14	485 - 563	1598.00	1592.00	1599.64	-3.3	1607.79	-3.1	1635.24	-2.5	78.3
Luxembourg	(LFr)	33.8500	+0.0025	300 - 700	33.8700	33.7870	33.88	-1.1	33.92	-0.8	33.885	-0.1	104.8
Netherlands	(Fl)	1.8434	-0.0017	429 - 439	1.8480	1.8410	1.8446	-0.8	1.846	-0.6	1.839	0.2	104.4
Norway	(NKr)	7.1196	-0.0014	178 - 213	7.1340	7.1100	7.1228	-0.5	7.1241	-0.3	7.0996	0.3	95.9
Portugal	(Es)	171.050	+0.75	900 - 200	171.550	170.450	172.015	-6.8	173.635	-6.6	178	-4.1	92.7
Spain	(Pta)	135.465	-0.015	440 - 490	135.650	135.380	135.855	-3.5	136.55	-3.2	138.59	-2.3	80.3
Sweden	(SKr)	7.7417	-0.0247	379 - 454	7.7803	7.7250	7.7602	-2.9	7.7862	-2.3	7.8467	-1.4	81.3
Switzerland	(SFr)	1.4035	+0.0012	030 - 040	1.4055	1.3985	1.4034	0.1	1.4025	0.3	1.388	1.1	103.9
UK	(£)	1.5100	-0.0009	095 - 104	1.5110	1.5075	1.5091	0.7	1.5076	0.6	1.5045	0.4	88.5
Ecu	-	1.1712	+0.0002	707 - 717	1.1724	1.1692	1.1688	2.5	1.1656	1.9	1.1787	-0.6	-
SDR	-	1.41316	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9982	-	981 - 982	0.9982	0.9976	-	-	-	-	-	-	-
Brazil	(Cr)	1813.65	-59.63	360 - 373	1814.20	1813.60	-	-	-	-	-	-	-
Canada	(C$)	1.3862	+0.0044	858 - 865	1.3868	1.3824	1.3883	-1.8	1.3914	-1.5	1.4035	-1.2	83.2
Mexico	(New Peso)	3.3100	+0.013	050 - 150	3.3150	3.3011	3.311	-0.4	3.3128	-0.3	3.3202	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3648	+0.0026	643 - 652	1.3667	1.3615	1.3701	-4.6	1.369	-1.2	1.3673	-0.2	89.5
Hong Kong	(HK$)	7.7255	-	250 - 260	7.7260	7.7250	7.725	0.1	7.7275	-0.1	7.7417	-0.2	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.45	-3.1	31.585	-2.8	-	-	-
Japan	(Y)	104.405	-0.05	380 - 430	104.500	104.000	104.2	2.4	103.77	2.4	101.345	2.9	145.4
Malaysia	(M$)	2.5845	-0.0105	835 - 855	2.5980	2.5835	2.577	3.5	2.5735	1.7	2.6045	-0.8	-
New Zealand	(NZ$)	1.7003	+0.0012	995 - 010	1.7056	1.6978	1.7022	-1.3	1.7068	-1.5	1.7285	-1.7	-
Philippines	(Peso)	27.1000	-	500 - 500	27.2500	26.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-	500 - 503	3.7503	3.7500	3.7508	-0.2	3.7528	-0.3	3.7655	-0.4	-
Singapore	(S$)	1.5340	-0.002	335 - 345	1.5360	1.5335	1.5333	0.8	1.533	0.3	1.535	+0.1	-
S Africa (Com.)	(R)	3.6535	-0.016	520 - 550	3.6665	3.6415	3.669	-5.1	3.6973	-4.8	3.774	-3.3	-
S Africa (Fin.)	(R)	4.8050	-0.375	950 - 150	4.8600	4.7800	4.8387	-8.4	4.8975	-7.7	-	-	-
South Korea	(Won)	806.550	-0.1	500 - 600	806.700	806.500	809.55	-4.5	813.05	-3.2	831.55	-3.1	-
Taiwan	(T$)	27.0700	-0.045	500 - 900	27.1500	27.0400	27.09	-0.9	27.13	-0.9	-	-	-
Thailand	(Bt)	25.1900	-0.005	800 - 000	25.2000	25.1800	25.2625	-3.5	25.39	-3.2	25.87	-2.7	-

†SDR rate for May 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 25. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	16.60	4.856	1.992	4713	5.447	21.03	505.4	400.1	22.87	4.146	1.957	4.095	2.954	308.4	2.522
Denmark	(DKr)	52.57	10	8.726	2.553	1.047	2478	2.863	11.06	265.7	210.3	12.02	2.179	1.028	2.153	1.553	162.1	1.326
France	(FFr)	60.24	11.46	10	2.926	1.200	2839	3.281	12.67	304.5	241.0	13.78	2.498	1.179	2.467	1.780	185.8	1.518
Germany	(DM)	20.59	3.917	3.416	1	0.410	970.6	1.122	4.331	104.1	82.39	4.710	0.854	0.403	0.843	0.608	63.50	0.518
Ireland	(I£)	50.21	9.551	8.334	2.438	1	2366	2.735	10.56	253.7	200.9	11.48	2.082	0.982	2.056	1.483	154.8	1.266
Italy	(L)	2.122	0.404	0.352	0.103	0.042	100.	0.116	0.446	10.72	8.489	0.485	0.088	0.042	0.087	0.063	6.542	0.054
Netherlands	(Fl)	18.36	3.492	3.047	0.892	0.366	865.3	1	3.861	92.78	73.46	4.199	0.761	0.359	0.752	0.542	56.61	0.463
Norway	(NKr)	47.54	9.045	7.892	2.309	0.947	2241	2.590	10	240.3	190.2	10.87	1.971	0.930	1.947	1.405	146.6	1.199
Portugal	(Es)	19.79	3.764	3.285	0.961	0.394	932.6	1.078	4.162	100.	79.17	4.526	0.820	0.387	0.810	0.585	61.01	0.499
Spain	(Pta)	24.99	4.755	4.149	1.214	0.498	1178	1.361	5.257	126.3	100.	5.716	1.036	0.489	1.023	0.738	77.07	0.630
Sweden	(SKr)	43.72	8.317	7.257	2.123	0.871	2061	2.382	9.196	221.0	174.8	10	1.813	0.855	1.790	1.292	134.8	1.103
Switzerland	(SFr)	24.12	4.588	4.004	1.171	0.480	1137	1.314	5.073	121.9	96.51	5.517	1	0.472	0.988	0.713	74.37	0.608
UK	(£)	51.11	9.723	8.484	2.482	1.018	2409	2.784	10.75	258.3	204.5	11.69	2.118	1	2.093	1.510	157.6	1.289
Canada	(C$)	24.42	4.645	4.054	1.186	0.486	1151	1.330	5.136	123.4	97.71	5.585	1.012	0.478	1	0.721	75.30	0.616
US	($)	33.85	6.439	5.618	1.644	0.674	1595	1.844	7.118	171.1	135.4	7.742	1.403	0.662	1.386	1	104.4	0.854
Japan	(Y)	324.3	61.69	53.83	10.75	6.459	15286	17.66	68.21	1639	1298	74.18	13.45	6.345	13.28	9.581	1000.	8.179
Ecu		39.65	7.543	6.582	1.926	0.790	1869	2.160	8.340	200.4	158.7	9.069	1.644	0.776	1.624	1.171	122.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kroner per 10; Belgian Franc, Escudo, Lire and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6068	0.6081	+0.0009	0.6092	0.6068	N/A	N/A
Sep	0.6075	0.6074	+0.0008	0.6082	0.6078	N/A	N/A
Dec	-	0.6078	-	0.6078	-	N/A	N/A

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9583	0.9584	-0.0010	0.9624	0.9578	N/A	N/A
Sep	0.9668	0.9652	-0.0010	0.9680	0.9646	N/A	N/A
Dec	-	0.9735	-	-	-	N/A	N/A

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7121	0.7124	-0.0004	0.7149	0.7121	N/A	N/A
Sep	0.7132	0.7132	-0.0008	0.7150	0.7129	N/A	N/A
Dec	-	0.7165	-	0.7170	0.7100	N/A	N/A

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5094	1.5094	+0.0012	1.5108	1.5078	N/A	N/A
Sep	1.5070	1.5080	+0.0014	1.5090	1.5060	N/A	N/A
Dec	-	1.5070	-	1.5070	-	N/A	N/A

EMS EUROPEAN CURRENCY UNIT RATES

May 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.790787	-0.000012	-2.21	6.20	15
Netherlands	2.19672	2.16290	-0.00268	-1.54	5.48	-
Belgium	40.2123	39.6904	-0.0391	-1.30	5.22	9
Germany	1.94964	1.92819	-0.00287	-1.10	5.01	-
France	6.53883	6.59609	-0.00633	0.88	2.95	-7
Denmark	7.43679	7.55432	-0.00331	1.58	2.24	-11
Spain	154.250	159.020	+0.23	3.09	0.74	-22
Portugal	192.854	200.283	+0.459	3.85	0.00	-26
NON ERM MEMBERS						
Greece	264.513	289.228	+3.75	9.34	-6.02	-
Italy	1793.18	1871.22	+7.56	4.35	-0.48	-
UK	0.786749	0.777719	+0.002685	-1.15	5.06	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Puts Jun	Puts Jul	Puts Aug
1.425	8.14	8.06	0.17	-	0.01	0.10
1.450	5.70	5.78	6.06	-	0.15	0.51
1.475	3.26	3.68	4.18	0.01	0.54	1.09
1.500	1.24	2.05	2.62	0.44	1.34	2.02
1.525	0.21	0.95	1.56	1.90	2.68	3.33
1.550	-	0.36	0.83	4.12	4.57	5.08

Previous day's vol., Calls 6,654 Puts 7,097 . Prev. day's open int., Calls 489,861 Puts 482,661

WORLD INTEREST RATES

MONEY RATES

May 26	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5 5/8	5 3/4	5 7/8	5 5/8	5 13/16	7.40	4.50	-
week ago	-	5 3/4	5 3/4	5 5/8	5 7/8	7.40	4.50	-
France	5 11/16	5 11/16	5 3/4	5 3/4	5 3/4	5.40	-	6.75
week ago	5 11/16	5 11/16	5 1/2	5 1/2	5 1/2	5.50	-	6.75
Germany	5.13	5.25	5.08	5.06	5.13	6.00	4.50	5.20
week ago	5.25	5.25	5.03	4.93	4.88	6.00	4.50	5.23
Ireland	5 5/8	5 1/2	5 5/8	5 3/4	6 1/4	-	-	6.25
week ago	5 11/16	5 1/2	6	6 1/8	6 3/8	-	-	6.25
Italy	7 3/4	7 3/4	7 3/4	7 3/4	8 1/4	-	7.00	7.55
week ago	7 3/4	7 3/4	7 3/4	7 3/4	7 3/4	-	7.00	7.65
Netherlands	5.15	5.18	5.18	5.20	5.25	-	5.25	-
week ago	5.09	5.18	5.08	5.015	4.99	-	5.25	-
Switzerland	4 1/4	4 3/8	4 1/2	4 3/8	4 3/8	6.625	3.50	-
week ago	4 1/8	4 3/8	4 1/8	4 1/8	4 1/8	6.625	3.50	-
US	4 1/4	4 1/4	4 5/8	4 3/4	5 1/4	-	3.50	-
week ago	4 1/4	4 1/4	4 5/8	4 3/4	5 1/4	-	3.50	-
Japan	2	2 1/4	2 1/4	2 3/8	2 1/4	-	1.75	-
week ago	2 1/8	2 1/4	2 3/8	2 3/8	2 1/4	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4 3/8	4 3/4	5	5 1/4	-	-	-
week ago	-	4 3/8	4 3/4	4 15/16	5 1/4	-	-	-
US Dollar CDs	-	4.16	4.40	4.72	5.26	-	-	-
week ago	-	4.16	4.38	4.73	5.27	-	-	-
SDR Linked Ds	-	3 3/4	3 7/8	3 3/4	4	-	-	-
week ago	-	3 3/4	4	4 1/8	4 1/8	-	-	-

ECU Linked Ds mid rates: 1 mth: 6¼; 3 mths: 6¼; 6 mths: 6¼; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 3/8 - 5 1/4	5 3/8 - 5 1/4	5 3/8 - 5 1/4	5 3/8 - 5 1/4	5 5/8 - 5 7/16	5 3/8 - 5 1/2
Danish Krone	6 1/8 - 5 5/8	6 1/8 - 5 5/8	5 13/16 - 5 5/8	5 13/16 - 5 5/8	5 15/16 - 5 3/4	5 15/16 - 5 3/4
D-Mark	5 1/4 - 5 1/8	5 3/8 - 5 1/4	5 3/8 - 5 1/4	5 1/4 - 5 1/8	5 3/8 - 5 1/4	5 1/4 - 5 1/8
Dutch Guilder	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8
French Franc	5 13/16 - 5 5/8	5 11/16 - 5 9/16	5 11/16 - 5 9/16	5 11/16 - 5 9/16	5 11/16 - 5 9/16	5 3/4 - 5 5/8
Portuguese Esc.	9 3/8 - 9 1/8	11 - 10 1/2	15 1/2 - 14 1/2	14 - 12 1/2	12 1/4 - 11 1/4	11 1/4 - 10 1/4
Spanish Peseta	7 13/16 - 7 1/2	7 13/16 - 7 5/8	7 13/16 - 7 5/8	7 13/16 - 7 3/4	7 7/8 - 7 5/8	7 7/8 - 7 5/8
Sterling	5 5/8 - 5 1/8	4 3/4 - 4 1/2	5 - 4 13/16	5 5/8 - 5 1/2	5 1/2 - 5 3/8	5 13/16 - 5 11/16
Swiss Franc	4 1/2 - 4 1/4	4 3/8 - 4 1/8	4 3/8 - 4 1/8	4 3/8 - 4 1/4	4 3/8 - 4 1/4	4 3/8 - 4 1/4
Can. Dollar	5 13/16 - 5 5/8	5 7/8 - 5 5/8	5 7/8 - 5 3/4	6 1/8 - 6 1/16	6 5/8 - 6 1/2	7 - 6 7/8
US Dollar	4 3/8 - 4 1/4	4 1/4 - 4 1/8	4 3/8 - 4 1/4	4 5/8 - 4 1/2	4 15/16 - 4 13/16	5 1/2 - 5 3/8
Italian Lira	9 - 7 1/2	7 7/8 - 7 3/4	7 7/8 - 7 3/4	7 7/8 - 7 3/4	7 7/8 - 7 1/2	8 1/8 - 7 7/8
Yen	2 1/8 - 2 1/16	2 1/8 - 2 1/16	2 3/16 - 2 1/16	2 3/16 - 2 1/16	2 1/4 - 2 1/8	2 3/8 - 2 1/4
Asian $Sing	3 7/8 - 3 3/4	3 7/8 - 3 3/4	4 1/8 - 4 1/16	4 5/8 - 4 1/2	5 3/8 - 5 1/4	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.40	94.42	-	94.44	94.39	5,987	64,070
Sep	94.50	94.49	-	94.53	94.48	15,352	49,056
Dec	94.38	94.39	-	94.41	94.36	7,716	38,518
Mar	94.27	94.24	-0.02	94.28	94.23	3,724	37,515

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.26	95.27	+0.04	95.28	95.25	467	6993
Sep	94.67	94.68	+0.06	94.68	94.67	401	2074
Dec	94.12	94.13	+0.10	94.13	94.12	45	1623
Mar	93.87	93.88	+0.10	93.87	93.87	30	1079

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.87	94.87	-	94.90	94.86	13885	162394
Sep	94.95	94.95	+0.02	94.98	94.94	28747	184676
Dec	94.79	94.79	+0.02	94.82	94.77	36048	238138
Mar	94.66	94.64	+0.01	94.67	94.61	25955	211841

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.25	92.24	+0.05	92.27	92.18	4378	30086
Sep	92.24	92.27	+0.02	92.30	92.20	5913	50142
Dec	92.07	92.07	+0.01	92.10	92.03	2216	49664
Mar	91.89	91.88	-0.01	91.88	91.85	1095	12616

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.80	95.78	-0.01	95.80	95.76	2293	22867
Sep	95.77	95.78	+0.02	95.78	95.72	3207	20866
Dec	95.67	95.66	-0.01	95.68	95.63	641	7651
Mar	95.57	95.53	-0.02	95.57	95.51	607	6132

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.96	93.90	-0.09	93.97	93.85	2538	9706
Sep	94.16	94.15	-0.04	94.18	94.06	1072	12020
Dec	94.06	94.08	-0.01	94.16	94.00	279	7804
Mar	93.85	93.86	-	93.88	93.80	480	3218

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.26	95.28	+0.03	95.28	95.25	N/A	N/A
Sep	94.68	94.71	+0.05	94.71	94.68	N/A	N/A
Dec	94.11	94.18	+0.06	94.17	94.11	N/A	N/A

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.67	95.69	+0.04	95.69	95.67	N/A	N/A
Sep	95.12	95.15	+0.05	95.15	95.12	N/A	N/A
Dec	94.68	94.69	+0.04	94.69	94.68	N/A	N/A

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9475	0.14	0.26	0.27	0.02	0.08	0.23
9500	0.02	0.14	0.16	0.15	0.18	0.37
9525	0	0.06	0.09	0.38	0.36	0.55

Est. vol. total, Calls 4191 Puts 2496. Previous day's open int., Calls 261163 Puts 188263

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9575	0.08	0.16	0.22	0.05	0.16	0.31
9600	0.01	0.09	0.11	0.23	0.31	0.45
9625	0	0.04	0.06	0.47	0.51	0.65

Est. vol. total, Calls 180 Puts 100. Previous day's open int., Calls 498 Puts 3608

UK INTEREST RATES

LONDON MONEY RATES

May 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 1/2 - 3 1/2	4 7/8 - 4 5/8	5 1/16 - 4 7/8	5 3/16 - 5 1/16	5 7/16 - 5 5/16	8 - 5 7/8
Sterling CDs	-	-	4 31/32 - 4 27/32	5 1/32 - 5 1/32	5 5/16 - 5 3/16	5 11/16 - 5 1/4
Treasury Bills	-	-	4 7/8 - 4 27/32	4 7/8 - 4 27/32	-	-
Bank Bills	-	-	4 7/8 - 4 31/32	4 29/32 - 4 7/8	5 1/8 - 5 1/16	-
Local authority deps.	4 15/16 - 4 11/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5 1/8 - 5	5 5/16 - 5 3/16	5 7/8 - 5 3/4
Discount Market deps	5 1/2 - 4	4 3/4 - 4 5/8	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.7430pc. ECGD fixed rate Stg. Export Finance. Make up day Apr 29, 1994. Agreed rate for period May 25, 1994 to Jun 25, 1994, Schemes II & III 6.59pc. Reference rate for period Apr 1, 1994 to Apr 29, 1994, Schemes IV & V 5.286pc. Finance House Base Rate 5½pc from May 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.70	94.71	+0.02	94.72	94.69	10669	66405
Sep	94.32	94.34	+0.03	94.36	94.30	13972	99662
Dec	93.82	93.83	+0.03	93.85	93.76	17823	125612
Mar	93.22	93.26	+0.01	93.31	93.21	6780	52749

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9450	0.21	0.13	0.10	0	0.29	0.77
9475	0.03	0.05	0.05	0.07	0.47	0.97
9500	0	0.02	0.02	0.29	0.68	1.19

Est. vol. total, Calls 3290 Puts 2768. Previous day's open int., Calls 178380 Puts 160100

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	8		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 26 / Sch)
[illegible]

BELGIUM/LUXEMBOURG (May 26 / Frs.)
[illegible]

DENMARK (May 26 / Kr)
[illegible]

FINLAND (May 26 / Mks)
[illegible]

FRANCE (May 26 / Frs.)
[illegible]

GERMANY (May 26 / Dm.)
[illegible]

ITALY (May 26 / Lire)
[illegible]

NETHERLANDS (May 26 / Fls.)
[illegible]

NORWAY (May 26 / Kroner)
[illegible]

SPAIN (May 26 / Pts.)
[illegible]

SWEDEN (May 26 / Kronor)
[illegible]

SWITZERLAND (May 26 / Frs.)
[illegible]

PACIFIC

JAPAN (May 26 / Yen)
[illegible]

HONG KONG (May 26 / H.K.$)
[illegible]

MALAYSIA (May 26 / MYR)
[illegible]

SINGAPORE (May 26 / S$)
[illegible]

AUSTRALIA (May 26 / Aus$)
[illegible]

NORTH AMERICA

CANADA

TORONTO (May 26 / Can $) 4 pm close
[illegible]

MONTREAL (May 26 / Can $) 4 pm close
[illegible]

AFRICA

SOUTH AFRICA (May 26 / Rand)
[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ♦ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO – MOST ACTIVE STOCKS: Thursday, May 26, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
M'bishi Hvy	20.0m	738	+15	Marubeni	5.8m	549	+2
Nippon Steel	12.5m	370	+1	Ishi-Har Hvy Ind	5.8m	480	+4
NKK	9.7m	280	+2	Sumitomo Mtl Ind	5.8m	302	+7
Kawasaki Steel	9.4m	403	+3	Hitachi	5.7m	1010	−20
Sumitomo Mtl Min	6.6m	953	+11	Toshiba	5.5m	797	−8

INDICES
[illegible]

US INDICES

Dow Jones	May 25	May 24	May 23	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3755.30	3745.17	3742.41	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.62	97.75	97.71	105.81 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1603.41	1608.26	1598.77	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	185.14	183.23	182.57	227.86 (3/1)	177.78 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3768.10 (3768.30) Low 3710.78 (3707.11) (Theoretical♦)
Day's high 3755.80 (3766.04) Low 3721.23 (3720.82) (Actual♦)

Standard and Poors	May 25	May 24	May 23	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	456.34	454.81	453.20	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials▼	532.52	530.78	528.08	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.52	45.36	45.00	46.56 (31/1)	41.39 (4/4)	48.40 (29/9/93)	8.64 (1/10/74)
NYSE Comp.	252.06	251.40	250.78	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	439.25	439.10	437.64	487.89 (2/2)	427.80 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	732.07	731.47	724.95	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	May 20	May 13	May 6	Year ago
Dow Jones Ind. Div. Yield	2.69	2.75	2.77	2.94
	May 18	May 11	May 4	Year ago
S & P Ind. Div. yield	2.48	2.54	2.48	2.52
S & P Ind. P/E ratio	24.06	23.52	23.99	26.25

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	456.05	457.60	+1.40	458.10	455.30	78,565	182,520
Sep	457.70	459.80	+1.40	460.40	457.80	4,192	24,013
Dec	-	462.50	-	463.15	460.40	137	7,814

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Gtech	6,261,600	23¼	-12¾
Philip Morris	5,346,000	53¾	-1¼
Telefonos	4,136,800	62⅞	+⅛
IBM	3,678,400	63½	+⅜
Merck	3,467,600	30⅜	-⅛
Wal-Mart	3,070,000	23⅞	+⅛
Hewlett-Pack	2,898,300	81	-⅝
Royal Dutch	2,852,400	106⅝	-1⅛
Circus Ent	2,803,100	23⅞	+½
Abbott Labs	2,422,160	29⅝	+⅛

■ TRADING ACTIVITY

● Volume (million)

	May 25	May 24	May 23
New York SE	254.420	280.071	249.398
Amex	15.356	14.207	12.348
NASDAQ	274.180	279.567	230.697
NYSE			
Issues Traded	2,795	2,802	2,813
Rises	1,120	1,216	908
Falls	1,006	921	1,221
Unchanged	669	665	684
New Highs	33	46	31
New Lows	63	51	58

■ CAC-40 STOCK INDEX FUTURES (MATIF)
[illegible]

Open interest figures for previous day.

* Sat May 21; Taiwan Weighted Price 5831.15; Korea Comp Ex 946.19. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp/Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poors – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: May 26 – 2146.00 -8.44

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close May 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17 3/8	14 1/8	AAR	0.48	3.3	487	113	14 5/8	14 5/8	14 5/8	
16 7/8	13 3/4	A L Labs A	0.16	1.3	32	206	14	13 7/8	14	+1/8
66	57 7/8	AMP	1.68	2.9	23	708	65 3/8	65	65 1/4	-3/8
72 3/4	52 1/8	AMR			27	981	55 1/8	54 3/8	54 1/2	-7/8
5	3 5/8	ARX			14	28	4 1/4	4 1/4	4 1/4	
58 1/8	38 3/8	ASA x	2.00	4.7	28	455	42 3/4	42	42 1/2	-3/8
30 3/8	25 3/8	AbbtL	0.76	2.5	18	15529	u30 3/4	29 3/4	30 1/2	+3/4
13 3/4	11 5/8	Abitibi Pr	0.50	4.1	8	40	12 3/8	12 1/8	12 1/4	
13 3/4	11 1/8	Acpczzalo			23	786	12 5/8	12 1/2	12 5/8	+1/8
31	24 1/2	ACE Ltd	0.44	1.6	4	874	27 3/4	27 1/2	27 5/8	-3/8
12 1/2	10 1/8	ACM Gvt In	1.00	10.1		124	11	10 7/8	10 7/8	
10 1/8	7 7/8	ACM GrOpp	0.80	9.2		23	8 5/8	8 1/2	8 5/8	+1/8
10 5/8	8 1/2	ACM Gvt Sp	0.96	11.3		403	8 5/8	8 1/2	8 1/2	-1/8
12	9 1/8	ACM Gvt Se	1.09	11.1		368	10	9 7/8	9 7/8	
11 3/4	8 3/4	ACM Man	1.08	11.4		298	9 5/8	9 3/8	9 1/2	+1/8
9 7/8	8	ACM Managd	0.72	8.5		57	8 1/2	8 3/8	8 1/2	+1/8
15 1/2	8 3/4	AcmeCle	0.44	4.2	72	94	10 5/8	10 1/4	10 1/2	
8 1/2	6 5/8	Acme Elect			8	306	u8 5/8	7 1/2	8 5/8	+1
28 3/4	23	Acordia	0.60	2.1	14	98	u28 3/4	28 1/2	28 5/8	+1/4
9 3/8	5 3/4	Actava	0.35	4.1	3	1158	8 3/4	8 5/8	8 3/4	+1/8
15 5/8	11 1/8	Acuson			115	883	15 1/8	15	15	-1/8
18 3/8	16 1/2	Adams Expr	0.48	2.7	0	188	17 1/2	17 3/8	17 1/2	
64	48 1/2	Ad Micro x	3.00	5.4		72	55 7/8	54 3/4	55 1/8	-1/2
31 3/8	16 3/4	AdvMic	3.00	11.2	11	2916	27	26 1/2	26 3/4	-3/8
6 7/8	5	Advest Grp	0.16	3.0	6	57	5 3/8	5 1/4	5 3/8	
20	16 3/8	Advo Inc	0.10	0.6	11	193	16 3/4	16 1/2	16 3/4	+1/4
57 3/4	49 3/8	Aegon ADR	2.95	5.5	11	6	53 1/2	53 1/4	53 1/2	
65 3/4	49 3/4	AetnaL	2.76	5.1	6	1067	54 3/4	54 1/2	54 3/8	-1/4
33 1/2	25 3/4	Aflac x	0.46	1.4	14	3169	33 3/4	32 3/8	33 1/4	+7/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

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Continued on next page

4 pm close May 26

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close May 26

AMEX COMPOSITE PRICES

4 pm close May 26

FINANCIAL TIMES

Friday May 27 1994

AMERICA

Dow nudged lower by Philip Morris

Wall Street

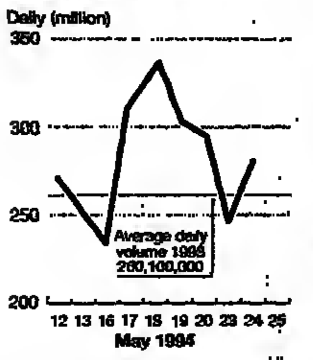
US stocks were mixed yesterday morning but a sharp loss by Philip Morris nudged the bellwether blue chip index into negative territory, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 1.53 lower at 3,753.77, whils the more hroadly based Standard & Poor's 500 was a scant 0.51 better at 456.85. Advancing issues led declines by 1,017 to 861 in volume of 149m shares.

In the secondary markets, the American SE composite eased 0.35 to 438.90, while the Nasdaq composite added 0.15 to 732.22.

Activity was listless as investors began to square their positions ahead of the three-day

NYSE volume



Memorial Day weekend.

The market had only a shred of economic news to guide sentiment. The Labor Department said that initial claims for state unemployment benefit had receded by 1,000 last week, against expectations of a 7,000 decline. The figures, combined with an upward revision of the total number receiving jobless benefit, suggested that the labour market was weakening. But the data, in isolation, was not viewed as especially compelling evidence of an economic slowdown, and had little impact on sentiment.

The bond market, meanwhile, offered neither an obstacle nor a source of encouragement for stocks. Treasury prices were virtually unchanged. A flurry of buying that followed the release of the weaker-than-expected jobless numbers soon gave way to profit-taking on the heels of the previous session's late rally.

Among the Dow components, Philip Morris stood as the only impediment to further improvement by the index, which had followed bonds to a modest gain during the previous session. On Wednesday, trading in Philip Morris was halted for the entire session, an unusual move which coincided with a day-long meeting of the company's board.

During the conference, the directors had considered a proposal to split the company's tobacco and food businesses into separate entities. After the markets closed, Philip Morris announced that it had rejected such a move "for the foreseeable future".

When the stock resumed trading after a brief delay yesterday morning, it was quickly marked down $3¾ to $50 amid disappointment over ths board's decision. Breaking the company up has heen suggested as a way to limit the financial impact of future tobacco-related lawsuits.

The stock's downturn partially offset a big gain by Boeing. The aerospace group's share price jumped $2¼ to $46½ on news that it was nearing completion of a $5bn deal to deliver more than 50 commercial aircraft to China.

United Technologies, up $1¼ at $66¾, and General Electric, $1¼ ahead at $48½, also made positive contributions.

After Wednesday's burst of activity, technology stocks wsre relatively quist. Computer Associates International, however, climbed $4 to $41¼ in volume of 2.2m shares. The software company beat analysts' forecasts by posting fourth-quarter net income of 93 cents a share, against 57 cents a year ago.

Elsewhere, Compaq fell victim to profit-taking, giving back $1¼ to $118 after a $3 gain the previous session.

On the Nasdaq, Lotus Development dropped a further $2¼ to $61, after announcing no change in its initial, second-quarter earnings estimates of between 42 and 50 cents a share.

Canada

Toronto firmed in thin midday trade, the TSE 300 Composite index rising 10.10 to 4,302.47 in volume of 25.2m shares.

Golds, however, were weak with Placer Dome sinking C$⅝ to C$30⅝ and American Barrick down C$¼ to C$32⅝.

The transportation sector led gains, with Laidlaw B shares were up C$⅜ to C$9¼.

The bank reporting season continued yesterday as Bank of Montreal eased C$¼ to C$25⅝, in spite of posting stronger second quarter earnings the previous session.

Mexico

Mexican stocks eased in brisk early trade centred on selling of Telefonos de Mexico and on profit-taking. The IPC index fell 9.4 to 3,463.67. Financials were worst hit as a sector with Interacciones down 5 per cent, and Bancomer B by 2.2 per cent.

Brazil

São Paulo balanced profit-taking against Wednesday's 8.1 per cent local currency rise, and came out ahead at midsession. The Bovespa index, hy 1300 local time, was up 374 at 23,392 in turnover of Cr285.5bn.

Analysts said that they did not discount the possibility of some further profit-taking in hlue chips.

Strong currency hits South Africa

A sharply stronger financial rand worked against shares, compounding the day's downward drift as the market struggled for fresh direction. Golds were undermined further as the hullion price weakened.

The overall index closed 95 down at 5,390, industrials were 57 points lower at 6,598 and golds lost 71 or 3.7 per cent to 1,877.

Remgro continued to pick up following selling related to fears of smoking curbs, cigarette price rises and raised alcohol prices under the new government. It added 50 cents to R29.25.

De Beers lost R3.25 to R101 and Anglos R8.50 at R215.50.

EUROPE

Bearish talk persists as bourses recover

Morgan Stanley considered European bond and equity markets yesterday and said that they had further room to fall, *writes Our Markets Staff.*

Inflationary pressures, the slowdown in German rate cuts and the fact that investors were still long in Europe after last year's bull market should keep bonds weak, said Mr Richard Davidson and Mr Brian V. Mullaney.

Equities, they said, still looked expensive at over twice book value and 7.4 times cash flow: "There may be soms earnings momentum, but at these levels there is little earnings support".

FRANKFURT applied one extension of these arguments – a switch out of cyclicals – to its carmakers, which underperformed as the Dax index incorporated Wednesday's post bourse falls, and slid a fraction further to close 28.52 lower at 2,130.25. Turnover rose from DM8.2bn to DM8.5bn.

BMW dropped DM26 to DM856, Daimler DM19.50 to DM814.50 and Volkswagen DM11.50 to DM491.50. At UBS, Mr Stephen Reitman said that, across Europe, carmakers had been coming back from their highs in reflection of events on the other side of the Atlantic, where interest rate fears had been reversing the substantial rise in US auto stocks.

FT-SE Actuaries Share Indices

May 26							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1409.45	1411.27	1413.43	1411.76	1407.05	1408.88	1409.70	1411.48
FT-SE Eurotrack 200	1424.19	1426.12	1428.04	1425.31	1423.13	1425.13	1423.03	1426.97

	May 25	May 24	May 23	May 20	May 19
FT-SE Eurotrack 100	1412.51	1435.77	1448.42	1456.87	1466.18
FT-SE Eurotrack 200	1430.24	1451.90	1468.75	1474.20	1480.47

Base 1000 (26/10/90); Highday: 100 - 1413.86; 200 - 1428.97 Lowday: 100 - 1407.05 200 - 1421.78

Germany had seen poor registration figures in April, he added, with a fall of 15 per cent leaving the year so far down 2.2 per cent after a rise of 2.9 per cent in the first quarter; and UBS expected a fall for the year as a whole.

PARIS majored on banks as the CAC-40 index recovered 7.48 to 2,091.89. Credit Lyonnais certificates ross FFr32 to FFr582, the outperformance of the day, while CCF pnt on FFr4.90 at FFr237.40.

Merrill Lynch said earlier this week that the savage correction in bank stock prices throughout Europe had opened up a number of value situations; that recovery plays should return to the fore within the sector, after quality banks had made the running for six months; and encapsulated Credit Lyonnais: "a stock for which fundamental arguments are few, but the chart suggests a good bounce."

Eurotunnel shook after its rights issue terms, hitting a low of FFr27.50, but recovered to end 45 centimes higher on the day at FFr30.95.

MADRID'e technical recovsry took the general index up 2.07 to 332.52 with banks leading the way, but there was still more interest in smaller capitalisation stocks.

The overnight news that Soto Grande's Valderrama golf course had won the staging of the 1997 Ryder Cup took the shares up anothsr Pta15 to Pta517 after a short-lived, but anticipatory high of Pta536 on Wednesday.

At James Capel, Mr Chris Cooper noted that Soto had outperformed by 75 per cent this year. The brokers think that the de Benedetti holding company, Cofir, which owns 42 per cent of Soto, has the greater scope for outperformance in the next twelve months after nearly three years of underperformance in 1991-93.

AMSTERDAM recovered from early weakness on news that March industrial production, up 2.2 per cent on the month, was 2 per cent better than a year earlier. The AEX index rose 1.24 to 404.74.

Nedlloyd, the shipping and road transport group lost Fl 4.30 or 5.6 per cent to Fl 72.00 in response to lower than expected first quarter results.

KLM, strong in recent days, rose another 50 cents to Fl 51.80 ahead of next week's earnings report.

Shares in chemical companies, staging a technical recovery after last week's weakness, saw DSM add Fl 3.20 to Fl 134.00. Akzo put on Fl 1.80 to Fl 209.80 after it announced that it was to merge its European soda ash operations with those of France's Rhône-Poulenc.

ZURICH finished highsr after interest rate worries had inhibited trading early in the day before subsequent bargain-hunting helped to reverse the downward trend. The SMI index rose 16.1 to 2,689.2.

Roche certificates rebounded SFr85 to SFr6,545 on the view that recent falls had been overdone.

Ascom, the troubled telecommunications group, added SFr55 to SFr1,490 after it announced that it had avoided an operating loss in the first quarter and that it continued to expect to break even in 1994 and return to profit in 1995.

The financial sector was subdued by the interest rate outlook. CS Holding advanced SFr5 to SFr606 as it awaited a decision hy the Austrian finance ministry on its bid for a stake in Creditanstalt-Bankverein, following news that an Austrian-led consortium had submitted an offer.

ATHENS rebounded, the general index closing 29.64, or 3.7 per cent higher at 836.31 after a drop of about 15 per cent in less than a fortnight during the drachma crisis, and a fall below 800 yesterday in early trading. After hours the bourse president, Mr Emmanuel Xanthakis, asked investors to stay cool: "The decisive stand taken by the monetary authorities," he said, "will soon ease tension and help interest rates return to reasonable levels."

TEL AVIV recovered 3 per cent, the Mishtanim index closing 5.57 higher at 192.64, but sentiment was still shaky after a fall of some 18 per cent between May 1 and Wednesday.

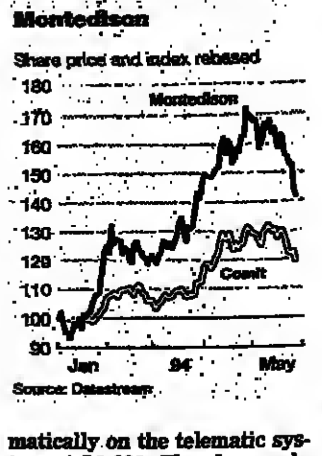
Written and edited by William Cochrane and Michael Morgan

Montedison dives after veto threat

News that a key advisory committee had recommended the European Commission to veto Montedison's planned joint chemicals venture with and Royal Dutch/Shell left the Italian group's shares adrift in early Milan trading.

Montedison fell almost 9 per cent and was suspended automatically on the telematic system at L1,230. The share subsequently picked up to finish L21 easier at L1,329 as diplomats noted that the companies could still avoid a veto by adapting their plans. Montedison was confident that the plan could be rescued.

Montedison



The Comit index dropped 18.84, or 2.5 per cent, to 740.95, below the 750 support level, prompting expectations that it was heading for 720.

Mr John Stewart at InterEuropa in Milan commented that domestic investors, unsettled by political developments, had become more selective after the euphoria which followed the general election.

Fiat put in a firmer performances after recent falls amid continuing speculation that the government was preparing measures to boost car sales. The shares rose L82 to L6,701 as the company called for incentives along the lines of those already available elsewhere in Europe.

Stet added L53 to L5,484 and Sip was L25 higher at L4,308.

BCI fell L236 or 4.4 per cent to L5,105 in response to its plans to raise L2,300bn through a series of share issues. Credito Italiano lost L98 to L2,313 as investors braced themselves for a similar exercise.

ASIA PACIFIC

Tokyo turns easier after seven days of rises

Tokyo

Profit-taking by domestic institutions and arhitrage selling brought an extended upward run in Japanese equities to a close in spite of huying by overseas investors, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average closed down for the first time in seven trading days, declining 167.83 to 20,495.80. The index rose to a high of 20,689.64 in the early afternoon, hut fell to a low of 20,489.30 just before the close.

Arbitrage selling was prompted by a fall on the Chicago futures market on Wednesday, and a decline in Osaka futures. Although the Nikkei temporarily recouped its losses on overseas investors' purchases of large capital steels and shipbuilders, large lot selling by financial institutions and corporate investors finally depressed share prices.

The Topix index of all first section stocks fell 7.20 to 1,650.98 and the Nikkei 300 declined 1.42 to 301.85. Losers led gainers hy 609 to 368, with 193 unchanged. Volume fell to 400m shares from 459m, some investors remaining inactive on the last trading day for May settlements.

In London the ISE/Nikkei 50 index rose 3.08 to 1,356.88.

Nippon Telegraph and Telephone declined Y6,000 to Y861,000. Heavy electricals and issues linked to the multi-media theme lost ground on profit taking. Hitachi fell Y20 to Y1,010, NEC Y20 to Y1,170 and Fujitsu Y10 to Y1,050.

Arhitrage selling depressed some bank shares. Dai-Ichi Kangyo Bank fell Y20 to Y1,980 and Sumitomo Bank by Y20 to Y2,200.

Drug shares were lower following the release of dull earning for the current year to March, due to government price cuts and limits on doctors' consultation fees. Takeda Chemical Industries, the industry leader, which fell behind Sankyo in pre-tax profit for the past business year, fell Y60 to Y1,210; Dainippon Pharmaceutical lost Y30 to Y1,180.

Large capital steels and shipbuilders were higher on active buying hy overseas investors. Mitsuhishi Heavy Industries, the most active issue of the day, rose Y15 to Y738.

In Osaka, the OSE average fell 56.56 to 22,667.48 in volume of 30.7m shares.

Roundup

Pacific Rim markets put in a mixed performance as Morgan Grenfell Asia Securities unveiled a new Pacific Rim investment strategy which overweights Hong Kong, Thailand and Australia.

Mr Stuart Cook, chief executive, said the merchant bank was positive on Hong Kong because of its exposure to Guangdong province which continued to enjoy very strong economic growth.

Thailand, he said, was the second fastest growth economy in the world after China and he was positive on Australia because its economy was recovering.

HONG KONG saw sharp early gains erased in late trade on news of lower than expected of prices paid at a government land auction. The Hang Seng Index was down 61.54 to 9,459.83, having heen more than 100 points ahead earlier in the afternoon.

Most leading property developers ended lower. Cheung Kong lost HK$1 to HK$37.50, Henderson Land fell HK$1.75 to HK$40.25 and New World dipped 40 cents to HK$25.40.

SYDNEY was dragged lower by weakness in Europe and its own banking stocks although firmer bonds helped the market up from its day's lows.

bourse rally after it tumbled in early trade.

The All Ordinaries index, 21.9 points lower early in the session, ended 9.0 easier at 2096.9.

In the banking sector, NAB closed 16 cents lower at A$11.68 and the Commonwealth slipped 6 cents to A$8.20.

ANZ dropped another 14 cents to A$4.30 following its 5 per cent fall on Wednesday after results.

BANGKOK fluctuated throughout the day hut ended higher on hargain-hunting, particularly in the construction materials and banking sectors.

The SET index rose 7.22 to 1,356.02 in turnover of Bt10bn.

Siam Cement was the centre of attention after it reported 107 per cent growth in consolidated net profit for the first quarter, adding Bt74 to Bt1,054.

KUALA LUMPUR rebounded after four straight days of losses to close hroadly higher hut any further advance was expected to be limited hy a lack of foreign buying, brokers said.

The composite index closed np 9.79 at 997.05.

SINGAPORE was firmer although analysts commented that the market was in need of fresh inspiration from overseas markets. The Straits Times Industrials index closed 12.34 higher at 2,315.20 in volume of 96.71m shares.

MANILA rebounded after a weak start on foreign demand for some hlne chips, led by PLDT. The composite index jumped 37.86 to 2,917.07, after Wednesday's 24-point fall, in sharply higher volume of 2.7bn shares from Wednesday's 1.42bn. PLDT put on 25 pesos to 1,920 pesos.

SEOUL advanced amid renewed interest in primary blue chips and the composite stock index added 6.84 to 950.76, above the widely-regarded resistance level of 950.

Blue chips eccounted for about one third of 119 stocks which went limit up. Both Samsung Electronics and Posco, the steelmaker, went limit up, gaining Won2,000 and Won2,500 to Won67,400 and Won93,000 respectively.

WELLINGTON was lower, reacting to volatility in overseas markets hut finding no local factors to spark interest. The NZSE-40 capital index fell 15.46 to 2,139.71.

Carter Holt Harvey, the forest products group, fell 7 cents to NZ$8.78 after the strong run-up to Wednesday's announcement of a 34 per cent rise in net profit, which fell short of some expectations.

BOMBAY's mood improved slightly after an ITC associate company, ITC Bhadrachalam announced plans for a bonus issue. The BSE 30-share index rose 33.67 to 3,738 as ITC improved Rs5 to Rs715.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 25 1994								TUESDAY MAY 24 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (69)	176.00	-1.6	172.71	116.21	150.49	159.43	-1.4	3.44	178.80	175.76	118.05	153.18	161.63	189.15	130.19	138.38
Austria (17)	176.44	-0.8	173.15	116.50	150.67	150.71	-1.0	1.08	177.98	174.92	117.49	152.45	152.27	195.41	141.52	141.52
Belgium (39)	173.68	-1.2	170.43	114.68	148.50	144.97	-1.4	3.80	175.79	172.79	118.06	150.59	147.09	178.87	141.92	143.04
Canada (106)	130.22	-0.4	127.79	85.98	111.35	130.30	-0.2	2.60	130.72	128.49	86.30	111.99	130.56	145.31	121.46	129.97
Denmark (33)	248.31	-1.4	243.67	163.95	212.31	217.40	-1.6	1.36	251.76	247.48	166.23	215.69	221.02	275.79	207.58	218.19
Finland (23)	149.87	-2.6	147.07	98.96	128.15	170.20	-2.5	0.86	153.84	151.22	101.57	131.79	174.53	156.72	85.54	98.73
France (98)	172.07	-1.6	168.85	113.61	147.13	151.79	-1.3	2.97	174.93	171.95	115.49	149.86	154.73	185.37	149.60	154.82
Germany (58)	139.71	-1.5	137.10	92.25	119.46	119.46	-1.7	1.72	141.84	139.42	93.65	121.51	121.51	147.07	107.58	109.50
Hong Kong (56)	389.27	0.3	382.00	257.08	332.86	386.10	0.3	2.75	388.07	381.49	256.21	332.46	384.88	506.56	271.42	298.56
Ireland (14)	165.36	-1.2	161.90	122.39	158.50	176.33	-1.8	3.44	187.62	184.42	123.87	160.73	179.10	209.33	155.83	159.90
Italy (60)	88.42	-3.2	86.77	58.38	75.61	105.27	-3.0	1.51	91.32	89.77	60.29	78.24	108.47	97.79	57.88	71.87
Japan (469)	159.23	0.1	156.26	105.14	136.16	105.14	0.1	0.77	159.04	156.33	105.00	136.25	105.00	165.91	124.54	145.24
Malaysia (98)	467.95	0.1	459.21	308.98	400.13	467.68	0.0	1.43	467.50	459.53	308.65	400.50	467.68	621.63	312.51	337.60
Mexico (18)	2130.99	1.4	2091.19	1407.04	1822.12	7681.74	1.4	1.01	2101.51	2065.68	1387.44	1800.30	7573.17	2647.08	1431.17	1509.21
Netherland (26)	199.62	-1.0	195.89	131.81	170.69	168.11	-1.2	3.34	201.65	198.21	133.13	172.75	170.11	207.43	164.22	166.36
New Zealand (14)	70.39	0.0	69.07	46.47	60.18	63.50	-0.1	3.78	70.41	69.21	46.48	60.32	63.56	77.59	48.57	49.77
Norway (23)	200.22	-0.3	196.48	132.20	171.20	193.45	-0.5	1.71	200.80	197.38	132.57	172.02	194.50	206.42	150.61	156.42
Singapore (44)	347.02	0.1	340.54	229.13	296.73	245.63	0.0	1.54	346.80	340.89	228.95	297.10	245.63	378.92	242.46	251.34
South Africa (59)	261.56	-0.7	256.67	172.70	223.64	278.96	-0.7	2.22	263.39	258.90	173.89	225.64	280.93	280.26	175.93	199.85
Spain (42)	146.82	-1.8	144.08	96.94	125.54	150.68	-1.9	3.96	149.49	146.94	98.69	128.06	153.59	155.78	118.33	129.72
Sweden (36)	223.79	-1.2	219.61	147.76	191.36	257.30	-0.6	1.55	226.46	222.60	149.51	194.01	258.96	231.35	163.85	180.59
Switzerland (47)	157.00	0.0	154.07	103.66	134.24	136.49	-0.5	1.78	157.06	154.38	103.69	134.55	137.11	176.56	124.32	124.48
United Kingdom (205)	186.83	-2.1	183.34	123.36	159.75	183.34	-2.2	4.08	190.77	187.51	125.95	163.43	187.51	214.96	170.32	177.63
USA (519)	186.13	0.4	182.65	122.89	159.15	186.13	0.4	2.88	185.42	182.26	122.42	158.84	185.42	196.04	178.85	183.39
EUROPE (721)	166.66	-1.6	163.54	110.04	142.50	155.43	-1.8	2.99	169.45	166.57	111.88	145.17	158.29	178.58	141.58	145.42
Nordic (115)	211.29	-1.4	207.34	139.51	180.67	210.97	-1.1	1.42	214.23	210.58	141.44	183.53	213.39	220.60	155.82	168.95
Pacific Basin (750)	167.89	0.1	164.79	110.88	143.56	115.19	0.1	1.05	167.80	164.95	110.79	143.76	115.12	168.80	134.79	150.37
Euro-Pacific (1471)	167.22	-0.7	164.10	110.41	142.99	131.34	-0.7	1.85	168.34	165.47	111.14	144.21	132.30	170.78	141.98	148.23
North America (625)	182.65	0.3	179.24	120.60	156.16	182.27	0.4	2.86	182.02	178.92	120.17	155.93	181.63	192.73	175.67	180.08
Europe Ex. UK (516)	151.80	-1.4	148.97	100.23	129.80	137.70	-1.6	2.35	153.98	151.35	101.66	131.91	139.88	157.47	122.37	125.44
Pacific Ex. Japan (281)	252.82	-0.3	248.10	166.93	216.18	227.11	-0.3	2.61	253.62	249.30	167.44	217.27	227.75	296.21	182.38	191.15
World Ex. US (1654)	168.35	-0.6	165.20	111.16	143.95	134.68	-0.7	1.87	169.42	166.53	111.85	145.13	135.60	172.51	142.84	146.98
World Ex. UK (1968)	171.90	-0.1	168.68	113.50	146.99	147.48	-0.1	2.04	172.05	169.12	113.59	147.39	147.64	175.58	153.22	157.73
World Ex. So. Af. (2114)	172.72	-0.3	169.49	114.04	147.68	149.85	-0.3	2.23	173.16	170.23	114.34	148.36	150.30	178.56	155.00	159.33
World Ex. Japan (1704)	182.79	-0.4	179.37	120.69	156.29	176.99	-0.5	2.86	183.60	180.47	121.22	157.29	177.87	195.20	155.72	168.41
The World Index (2173)	173.24	-0.3	170.00	114.39	148.13	150.82	-0.3	2.23	173.72	170.75	114.69	148.82	151.28	178.97	155.17	159.51

Latest prices were unavailable for this edition. Markets closed: Malaysia and Singapore.

RECRUITMENT

Jobs: Middle managers feel threatened by their new role as 'willing helpers' ■ Personnel directors choose psychometric testing

Empowerment in Virgin territory

How many management, employment and recruitment words ars we expected to absorb before we throw away the dictionary of American business terms?

Hardly a month goes by without another supposedly new idea embodied in a freshly coined word creeps stealthily out of the software like a tarantula out of a banana crate, arousing a mixture of terror and curiosity.

The jargon has encroached steadily into the management schools, so much so that it has spawned an industry in expensive seminars held to explain what it all means.

Empowerment is one such concept that received the seminar treatment last week at an Economist conference in London. It has also been subjected to scrutiny by the Harbridge Consulting Group, which has just produced a report called *Empowerment: what organisations really do.*

Harbridge has attempted to discover what empowerment means and how it is being adopted in the UK. Most of the organisations it surveyed had reduced their employees in the last five years. In practice it found that empowerment often meant individuals being asked to perform functions traditionally undertaken by management, one reason why most middle managers questioned in the survey felt threatened by the idea.

In companies where the concept had been widely adopted, says the Harbridge report, the managerial role had to change to that of a "willing helper". Managers uot letting go was the most widely cited impediment to its implementation.

One of the most important factors quoted by individuals expected to take more responsibility for decision making was a promise that their job would not be on the line if they made a mistake.

Some companies, said the report, were employing empowerment without realising it. This applied to Richard Branson'e Virgin Atlantic Airways, according to Nick Potts, its personnel director. He told the Eeouomist seminar that empowerment "typically exists naturally with youth, vigour and smallness in organisations". The company had shunned empire-builders or specialists in its early days. Creating empires and classie organisational structures, he said, were the biggest barriers to empowerment.

As the business grew the company realised that staff, by default, had been given the freedom to make decisions and influence company direction. "We learned that people who decide and act, produce more profit than people who wait for instructions," he said.

The three youngest directors, he noted, all had arts backgrounds. Paul Griffiths, the commercial director, had a degree in musie and raced motorcycles, Steve Ridgeway, marketing director, was a boating enthusiast. Potts himself used to be an opera singer.

"We realised we had a lot of artists in all positions. This, I suppose, is not surprising as creativity, flair and imagination are very important in the Virgin culture," said Potts.

He might have been over-egging his point. What he didn't say was that the board is loaded with experienced airline people and as Virgin itself admitted: "Griffiths was taken on for his 15 years airline experience, not for his ability to play the fiddle."

The company began to look for people who had done "interesting things" or had career hreaks. It sought out emotional people and looked for risk takers on the basis that "entrepreneurial business is one huge gamble".

Again this should have been qualified. Risk-taking attributes would not apply to flying staff, nor would they seem apparent in Nigel Primrose, the finance director, who is a chartered accountant.

Potts argued that a gambling instinct was useful when trying to maximise revenue per seat on each flight. "The gamhle is when to release seats and at what price. Clearly there is no point in having the highest fares and no passengers or vice versa, a full plane where the ticket sales don't cover the costs."

Instead of expecting staff to use statistics to dictate decisions, the company preferred them to become "immersed in the job, build up this knowledge through experience and gut feel, and then gamble on your instincts.

"We have found these people make the best revenue managers. We trust their judgements and let them make the calls."

Rather than just plugging gaps, recruitment was viewed strategically and undertaken by the best people in the company, said Potts. Spotting and assessing, even "scavenging" for talent, he said, "is the most important thing you can do for a business – so you should invest a considerable amount of time doing it".

Virgin is currently doing just that, recruiting about 700 staff, mostly cahin erew, as it expands its route network.

*

So what are personnel directors doing to find the best people? The Institute of Personnel Management commissioned a Mori poll of 123 UK personnel directors to find out what recruitment methods they employed.

The result shows that psychometrie testing – the science of measuring abilities or personality traits – has overtaken panel interviewing as the favourite selection technique of personnel directors.

When asked which ones they used, among seven types of recruitment techniques, some 105 of the directors questioned – the higgest response to any of the techniques – said they used psychometric testing.

Panel interviewing, used by 99 of them, was pushed into second place above meeting the partner of the applicant, used by 34. Fourteen of the directors said they tested applicants with a problem calculated to induce stress or surprise and two of them went in for graphology, the study of handwriting. Noue of them used cranial assessment or astrology, the two other techniques in the questionnaire.

Asked to rate the success of the methods on a scale of nought to 10, the most popular rating for both panel interviews and psychometric testing was seven, from just less than a third of respondents, although the testing just had the edge in popularity over interviews.

Breaking down the responses into four sectors – industrial, financial, business and the puhlic sector – panel interviews were rated most highly among the puhlie sector. Employers in the public sector also placed more store than any of the others on psychometric testing for achieving successful results. This is not so surprising since testing has been long established in the public sector, particularly in the Civil Service.

Of the 14 directors who used the stress/surprise technique in an interview, 10 of them gave it six, seven or eight out of 10.

Industrial employers scored highest when asked to rate meeting the applicant's partner. This may surprise some who would question how much influence a wife, husband or partner should have on their other half's job prospects.

The ratings for graphology were statistically useless but intriguing none the less. Both respondents who used it were directors of financial services companies. Oue of them reported that it was not at all successful in fiuding good recruits and the other gave it a rating of five.

The IPM is currently formulating a policy on graphology in recruitment. While it has yet to make a formal pronouncement, the signs are that it will come down against it.

Research carried out by the institute has failed to discover any evidence that it is an accurate predictor of someone's personality. This will be bad news for S G Warburg, the merchant bank, whieh has been using it for years.

Richard Donkin

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

Chief Executive

London

to £57,600 + performance-related payments

The United Kingdom Passport Agency is responsible for the provision of passport services to British nationals in the UK. Established in 1991 as an Executive Agency of the Home Office, it has since benefited from a programme of major improvements in cost efficiency and customer service, reflected in the award of a Charter Mark. John Hayzelden CBE, the first Chief Executive of the Agency, is to retire in the summer of 1994 and we are seeking a successor with the management skills and vision to continue his work.

With a headquarters in London, regional passport offices in Belfast, Glasgow, Liverpool, London, Newport and Peterborough and a records unit at Hayes, the Agency employs about 1500 staff and generates an annual income of about £80 million. A recent review of the Agency's status and functions confirmed the need for it to remain under direct government control while paving the way for further improvements in the way it conducts its business.

Key issues for the Agency include the need to sustain improvement in the speed of service to those applying for passports; to increase public awareness of the services the Agency supplies; to review the size, number and location of its offices; to progress towards the establishment of its financial regime as a trading fund, and to continue to provide for the highest standards of customer service through staff development.

You will be responsible to the Home Secretary for the overall management of the Agency and for ensuring that its service and financial aims and objectives are met. You will chair the Agency's Management Board and will attend meetings of the Advisory Board of officials and representatives of the private sector, whose function is to advise the Home Secretary on the Agency's plans and performance.

You must be able to offer an impressive record in general management in either the private or public sector. Excellent personnel management skills will be particularly important in leading a network organization which depends for its success on the high quality of its staff, though you will also need experience in financial management – ideally with some exposure to government accounting. Well-developed interpersonal, communication and presentation skills will also be crucial in establishing and maintaining credibility in this high-profile role.

This is a fixed-term appointment for three years with the possibility of extension. Your starting salary will depend upon the extent and quality of relevant experience you are able to bring to the post and will be between £39,365 and £57,612, including London Weighting allowance, with the opportunity to earn additional, performance-related payments.

For further details and an application form (to be returned by 17th June 1994), please write to Recruitment & Assessment Services, Alencon Link, Basingstoke, Hampshire RG21 1JB, telephone Basingstoke (0256) 468551 (24 hours) or fax (0256) 846374/846660. Please quote ref: B/2147.

We welcome applications from candidates regardless of ethnic origin, religious belief, sex, sexual orientation or other irrelevant factor. You will not be ruled out on account of physical handicap or disability, provided that you can do the job satisfactorily. People with disabilities and those from ethnic minorities are currently under-represented and their applications are particularly welcome.

RAS

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Managing Director

Life Reinsurance

LONDON **c.£100,000**

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Our client is looking for a Managing Director to build and run this new company from a base in London. He or she will formulate their own marketing and financial strategies in consultation with the parent group and will recruit their own management and technical team.

We would like to hear from managers in the life reinsurance industry who have a record of creating profitable business and managing a diversity of functions. Terms will be flexible and generous with the opportunity to share in the successful performance of the company.

Please send in strictest confidence full CV, including current remuneration, to Tim Latham, Coopers & Lybrand Executive Resourcing Ltd, 1 Embankment Place, London WC2N 6NN, quoting ref TL1032 on both envelope and letter, or call him on 071-213 5165.

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BANKING FINANCE & GENERAL APPOINTMENTS

FIXED INCOME TRADING

Our client, a leading International Bank based on the Continent, is looking to expand its bond trading team with the recruitment of two experienced traders for its Head Office operation. The Bank, with its strong capital base and prominent position in both domestic and international markets, has an impressive array of clients.

In line with its ongoing strategy of increasing market penetration in the multi-currency fixed income markets, the following vacancies have arisen:

USD/CanD TRADER

The Job – to be responsible for the USD and CanD trading operations and to be equally adept in this context at both Government and Eurobond trading.

The Candidate – in line with the above broad trading responsibility the chosen candidate is likely to be in the age range late 20s to mid 30s, possessing a minimum of five years' bond trading experience, coupled with a strong analytical background. At least some of this experience will have been gained from trading the USD and/or CanD Government markets. Fluency in at least one Continental European language is a pre-requisite.

Reference: NAS 2152

EUROPEAN BOND TRADER

The Job – to assist in the bank's European multi-currency bond trading activities and to be equally adept in this context at both Government and Eurobond trading.

The Candidate – is likely to be in the age range late 20s to mid 30s, possessing a minimum of four years' bond trading experience, coupled with a strong analytical background. Experience will have been gained in trading a minimum of two of the following currencies, ideally from both the Eurobond and Government bond perspectives: DM, DFl, FFr, Ecu. Fluency in at least one Continental European language is a pre-requisite.

Reference: NAS 2153

Both of the above positions provide highly competitive salary and benefits packages, including significant bonus potential. UK expatriate contracts may be provided where necessary. Future career prospects for the chosen individuals within this bank, which is one of the top twenty globally, are considerable.

Salt Chapman Associates

To apply, in strict confidence, please telephone or write to Neil Salt, quoting the appropriate reference number.

International Search and Selection
Princes House, 36 Jermyn Street, London SW1Y 6DT.
Tel: 44-71-434 1319. Fax: 44-71-434 0835.

TRUST AND ESTATE ADMINISTRATION MANAGER

Central London **c£35,000 package**

Our client is a long established private financial services company which also administers a range of high value and complex family trusts. An opportunity exists to participate in future structured growth by developing the trust and estate administration function.

Reporting to the Managing Director and working closely with trustees, legal advisers and tax specialists, this demanding position will be responsible for all trust administration and the maintenance of computerised records to strict deadlines. It will be necessary to provide advice to both trustees and beneficiaries, maintain financial control, and assist with administering estates.

Applicants should be aged between 30 and 40 who can demonstrate a successful track record in trust administration – preferably from a banking background. Sound judgement, excellent communication skills and the ability to delegate and motivate a small department, are considered essential qualifications for this demanding position.

The remuneration package can be tailored to suit the successful candidate and could include a company car. There is a non-contributory pension scheme and private health insurance and future progress will only be limited by personal performance.

Kidsons Impey
Search & Selection Limited
29 Pall Mall, London SW1Y 5LP
Telephone: 071-321 0336
Fax: 071-976 1116
UK, France, Germany, Italy, Austria, Hungary, Poland, Belgium, Switzerland, Czech Republic and Slovakia

Interested candidates should send a comprehensive CV, including details of current remuneration and a day time telephone number, all of which will be treated in the strictest confidence, to Andrew Sales FCCA, quoting ref. no. 772.

Venture Capital/Corporate Finance Executive

Ambitious and Effective executive with at least 3 years Venture Capital/Corporate Finance experience required to join this small fast growing Corporate Finance Co.

Candidate to be Director level on entry or ability to reach Director within a 12 month period.

Salary neg with opportunity for Equity interest within a reasonable period on basis of ability.

Please write with CV to:

F Risico, Hamilton House, 1 Temple Avenue, Victoria Embankment, London EC4Y OHA

Strategist German Equities

As traditional Private Bankers with headquarters in North Rhine-Westfalia we rank amongst the most reputed financial institutions in Germany.

The 'Strategist' we seek will summarise the extensive results of our research department, which primarily covers the German market, into a well-defined equity investment strategy. He should be able to clearly define the strategy products in written and verbal form in German as well as in the English language.

In this capacity the 'Strategist' maintains contact with our demanding national and international institutional clients. Furthermore, he participates in the decision-making of the investment committees of the Bank. Promotion to executive management of our research subsidiary is envisaged, for a younger candidate at a later stage.

We expect extensive knowledge of economic and securities research and familiarity with modern portfolio theory as well as professional experience which could have been obtained either in the fields of research, portfolio management or institutional sales.

If you are around 30 - 45 years old, are setting high intellectual standards for yourself, have a talent for marketing and are accustomed to very team-oriented work, we would be pleased to receive your application. Please contact our management consultant N. von Morozowicz of MF Partner Management Consultants GmbH, Sendlinger Str. 24, 80331 München, who is also available at 010.49.89.265090 to provide further information. Confidential handling of your application is guaranteed.

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Major international banking group requires a highly innovative senior negotiator. The appointee will demonstrate consistently high levels of fee income generation from arranging complex, tax driven, large value cross-border transactions.

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A leading intermediary wishes to appoint an ACA, aged 27-33, who has acquired excellent technical skills within structured/project or asset finance. Candidates should have exposure to sophisticated financial structures utilising capital market products.

If you are interested in the above or other positions within the large unit finance sector, please contact Keith Snow or Peter Haynes.

Jonathan Wren & Co Ltd,
Financial Recruitment Consultants,
No.1 New Street, London EC2M 4TP
Tel: 071-623 1266 Fax: 071-626 5258

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A leading firm of international stockbrokers, based in the City of London, is seeking to recruit a sales executive to join their rapidly expending Emerging Markets division. Applicants, in addition to being degree qualified, will have a minimum of five years experience in Corporate Finance/Broking, significant local experience of the Bombay stock exchange and financial market and be able to converse fluently in both Hindi and English. Candidates will have excellent marketing skills and be able to demonstrate the drive and determination to succeed in this fast-moving and exciting market. The salary and an attractive benefits package will be commensurate with the required skills and experience.

Applications should be submitted in writing, enclosing a current CV, to: Box A2027, Financial Times, One Southwark Bridge, London SE1 9HL

SALES & MARKETING ❖ MANAGER/ SENIOR MANAGER

The Group:

- Small but expanding private client financial services group, with pleasant offices in the West End.

The Person:

- Pleasant and enjoys working with others
- Organised and punctual
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- Investment/Private banking experience preferred but not essential.

The Task:

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- Will be required to travel extensively to the Arabian Gulf and build up client base.
- Give input and form part of the team.

To apply, please write and send Curriculum Vitae to:
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London W1X 5DB.

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to £60,000

A large International Bank wants to recruit an experienced corporate dealer.

You should have a stable and successful track record in the sales and marketing of Foreign Exchange and Money Market products to large corporates, Central Banks and public entities.

As a personality you should be highly self motivated, a team player and self disciplined. This is a first class opportunity for a corporate dealer looking to substantially increase their client base and earnings potential with a major bank.

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He or she will have excellent contacts with portfolio managers internationally and be a natural canvasser of new clients, a second language would be an advantage.

This is an opportunity for a creative person who expects a salary in line with responsibility, but also wants to share in a bonus pool arrangement, and is determined by hard work and results to earn an equity holding in the company.

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European Brokers

Due to a European wide expansion, our client, one of the largest international money and currency broking companies and a global player in world financial markets, is seeking the following professionals for its Continental offices. These offices are involved in broking multi-products to a European client base.

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Interest Rate Swaps Broker

An IRS broker with at least 2-3 years experience in executing a range of swap transactions to an established client base to include European bank and financial institutions. European languages would be an advantage.

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Active broker or possibly a forward dealer with a good European customer base dealing in a variety of European currencies. Languages preferred.

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Established broker with experience of interest rate and money market hedging instruments to an extensive Pan-European client base. Languages preferred.

Amsterdam

Interest Rate Swaps Broker

IRS broker with solid marketing and derivatives experience executing business to primarily regional banks and financial institutions. Knowledge of Dutch is essential.

Frankfurt

Eurodepos, FRA/IRS Broker

Established broker with experience of interest rate and money market hedging instruments to an extensive German client base. German language is a prerequisite.

Stockholm

Bond Broker

Specialist bond broker to the Scandinavian bond market entertaining a Pan-Scandinavian customer base. Scandic languages are essential.

These are outstanding opportunities for self-motivated brokers who can demonstrate a successful track record. Candidates will be given considerable latitude in the development of their careers. These positions offer highly competitive remuneration packages.

For a confidential discussion please contact David Reynolds or Nigel Haworth. Tel: 071-236 2400, Fax: 071-236 0316 or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

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EMERGING MARKETS FIXED INCOME ECONOMIST RESEARCH ANALYSIS

LONDON - NEW YORK

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The appointee will, in conjunction with the traders and portfolio managers, be responsible for:

Country analysis and the production of research material from the perspective of identifying investment opportunities in debt instruments.

Analysis of global/economic trends affecting emerging markets fixed income securities.

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Candidates must be self-starters with a keen interest in the emerging markets and have the ability to demonstrate dedication, communication skills, entrepreneurial flair and a strong desire for success.

An attractive remuneration package will be offered to the right person. If you believe that you can offer our Client these qualities, please send your CV in complete confidence to:

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Assistant Directors

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London Based — **Competitive salary + benefits**

Hambros Bank seeks two experienced Project Advisors to join its highly successful Project Advisory Group.

Successful candidates will have significant experience in originating and executing project/corporate advisory work in a variety of sectors and locations. Drive, commitment, perseverance, team work and a thorough understanding of financial structuring techniques are key requirements. Numeracy, presentation and computer skills are assumed.

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Our Project Advisory Group is involved in two major areas of work:

- International power, waste and water projects, fossil fuel and associated infrastructure projects;
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Our client base includes Government and private sector entities.

To apply, please write, enclosing a detailed CV and indicating your current remuneration package, to Dr. P. Remington, Director, Project Advisory Group, Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA.

HAMBROS BANK LIMITED

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To discuss this exceptional opportunity telephone David Williams on 071-623 9493 (Fax: 071-626 1263) or send your CV, in strictest confidence to:

Williams Wingfield Ltd, Search & Selection Specialists
Astral House, 125-129 Middlesex Street, London E1 7JF

Williams Wingfield

Private Client Stockbrokers

Opportunity with a leading market player

North West — **Excellent Package**

Our client is a well established City based stockbroking firm enjoying a long-standing reputation and tradition of serving private clients through its network of offices. The parent company is a blue-chip and successful financial institution which has given strong support to the business.

This has enabled our client to expand and make significant investment in technology in order to improve the quality of service to clients and minimise the impact on administration as the market moves to rolling settlement. The firm now wishes to develop further its business in the North West as part of its plans to take full advantage of the investment it has made.

We are looking to attract individuals with varying levels of experience who are – or are capable of becoming – significant revenue earners.

Ideally, candidates will have a strong track record as successful private client stockbrokers with a network of clients and contacts within the region. They will also have the ability to develop long-term relationships through sound judgement and efficient service, aided by the firm's research and systems.

Age is not a material factor, but candidates must be enthusiastic, dedicated and committed stockbrokers with relevant regional contacts. Personal qualities must include determination and energy and the ability to inspire confidence in both colleagues and clients.

The remuneration package will comprise the usual executive benefits, including a substantial performance related bonus, and will not be a limiting factor for outstanding candidates.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 93347N on both letter and envelope, and including details of current remuneration.

GKRS
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PARK HOUSE, 6 KILLINGBECK DRIVE, YORK ROAD, LEEDS LS14 6UF TEL: 0532 484848.
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Applicants interested in these exciting opportunities should send a full C.V. to Emma Gray, Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX.

MORGAN GRENFELL

Morgan Grenfell
& Co. Limited
23 Great Winchester
Street
London EC2P 2AX

FUTURES & OPTIONS - MADRID

- A challenging opportunity has arisen to service English speaking international institutional clients from Madrid for a globally based Futures & Options House.
- This position requires the skills of a bilingual Spanish speaker, with English as the mother tongue, who is conversant with servicing an international client base covering the full product spectrum. You will have a minimum of three years experience of Financial Futures & Options Sales and be able to demonstrate supervisory skills coupled with sales and motivational abilities.
- Our client is committed to the further development of MEFF for its international customer base, as well as providing worldwide access to other exchange traded contracts for its domestic Spanish clients.
- The salary will be market competitive and will reflect your experience to date, offering an attractive bonus participation.
- Interested individuals with the relevant skills should contact Oliver Wells enclosing a full CV to the address below:

Michelangelo Associates, International Search and Selection, 36 Whitefriars Street, London EC4Y 8BH. Tel: 071-936 2857, Fax: 071-583 6531

Michelangelo

Export Finance

ECGD

Morgan Grenfell is one of the world's leading arrangers of export credits with a particular specialisation in multi-sourced export credits. We have a strong track record both as arrangers and innovators in export finance.

Our team of executives is involved in the arrangement of export credits from the UK, Italy, USA, Spain and Scandinavia. We now propose to expand the team and seek to recruit a degree educated candidate who can offer:

- a minimum of three years' experience in medium-term export finance
- experience of implementation of ECGD transactions
- willingness to travel and work on assignments abroad
- contacts with UK clients.

The attractive remuneration and benefits package will be that expected of a major organisation, commensurate with the candidate's experience and qualifications.

Applicants interested in this excellent opportunity should send a full C.V. to Emma Gray, Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX.

MORGAN GRENFELL

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& Co. Limited
23 Great Winchester
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London EC2P 2AX

Senior Forfaiting Manager

International Bank Group

Competitive Salary + Bank Benefits **City**

Opportunity for experienced forfaiting specialist to build trading capability for active international trade finance unit.

THE COMPANY
- Well established, UK based, ioteroatiooal banking group.
- Extensive network of branches. Strong in developing markets.
- High profile internatiooal trade fioaoce and forfaitiog team with growing commitmeot to forfaiting.
- Busy, ambitious and profitable unit.

THE POSITION
- Key role in busy, pressurised team. Generate business and execute deals through primary/secondary market contacts.
- Pursue high quality, transaction driven forfaiting deals.
- Play full part in small unit. Work flexibly in that structure.

QUALIFICATIONS
- Ideal candidates will be front line traders with strong market contacts and at least 5 years relevant experience.
- Banking background with specialist expertise in broking and trading interest rate and currency positions in forfaiting market.
- Business developer, astute trader, with excellent commercial judgement. Team player. Rohirst user.

Please send full cv, stating salary, ref N2065, to NBS, 54 Jermyn Street, London SW1Y 6LX

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a BNB Resources plc company

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Manchester 0625 539953 • Slough 0753 819227

Marketing Manager

Investment Management House

To £50,000 + Benefits **City**

Drive marketing strategy and implementation for the important Investment Trust division of this major investment management business.

THE COMPANY
- Leadiog iodependent global asset maoagement business. UK based.
- Investment Trust division is significant, growing and high profile.
- Ambitious plans to develop already strong market position for Investment Trust activity.

THE POSITION
- Create total marketing strategy. Implement through marketing services team.
- Ensure highest standards of product and service. Work at board level internally and with clients. Analyse, review, recommend.
- Deputise for MD wheo necessary. Make broad contribution to development of business.

QUALIFICATIONS
- Graduate, possibly with MBA. At least five years in dynamic marketing role. Strong track record.
- Experience of strategic planning, project management and product development. Relevant financial services knowledge preferred.
- Superb presentation/communication skills. Persuasive, mature, energetic, highly motivated team player.

Please send full cv, stating salary, ref N2059, to NBS, 54 Jermyn Street, London SW1Y 6LX

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a BNB Resources plc company

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2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 071-588 3588 or 071-588 3576
Fax No. 071-256 8501

Opportunity to develop a broad ranging compliance role within an innovative environment

CJRA

COMPLIANCE OFFICER

CITY

£32,000 - £45,000 + car allowance, bonus, share purchase & mortgage

EXPANDING GLOBAL PRIVATE BANKING ARM OF MAJOR INTERNATIONAL BANKING GROUP

We invite applications from candidates, probably aged 30+, graduates or equivalent, who are likely to be professionally qualified and who must have had at least 3 years' hands-on compliance experience with an IMRO member company engaged in private client investment management. SFA experience is highly desirable. As the selected candidate you will be responsible for: advising management and staff on all relevant compliance and regulatory issues; monitoring, development and implementation of procedures including policy and procedures manuals; approval of advertising and promotional material; training as well as 'money laundering' reporting officer activities where appropriate. Essential qualities are self-confidence, flexibility, a commercial approach plus the ability to work effectively as part of a small team working closely together. Initial salary negotiable £32,000 - £45,000 plus £5,000 car allowance, bonus, excellent share purchase scheme, mortgage subsidy and other excellent banking benefits.

Applications in strict confidence, quoting ref. CO25432/FT, will be forwarded to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

Assistant Fund Manager

International Investment Trust

c.£40,000 Package **Central London**

Exceptional opportunity for a talented professional to assist in the management of the listed investment portfolio for this prestigious investment trust.

THE COMPANY
- Renowned business. Successful record of investment and profitability.
- Active in the UK, Continental Europe and the US.
- Large investment portfolio comprises unlisted and listed securities.

THE POSITION
- Focus on listed portfolio of mainly UK equities.
- Monitor current holdings, analyse potential deals and make investment recommendations.
- Increased responsibility for portfolio management with experience. Work with small, incentivised team.

QUALIFICATIONS
- Bright graduate, probably aged 28-32. Sound knowledge of UK equity market aod minimum 5 years relevant background.
- Outstanding analytical skills, excellent communicator, ambitious, rigorous and highly numerate.
- Self-motivated, enthusiastic, mature, with proven good judgement. Eager to develop career further in blue chip environment.

Please send full cv, stating salary, ref N2056, to NBS, 54 Jermyn Street, London SW1Y 6LX

N B SELECTION LTD
a BNB Resources plc company

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Chalmers University of Technology
School of Technology Management and Economics

Professor in Industrial Management and Quality Assurance

There are 10 chairs at the School of Technology Management and Economics including the new chair in Industrial management and Quality Assurance. The holder of the chair is expected to conduct research and to teach undergraduate as well as graduate courses. The faculty is expected to develop a funded research program in this field with special emphasis on quality management. The potential for funding is good.

Application

The application should be addressed to the Rector, Chalmer University of Technology, S-412 96 Gothenburg, Sweden. It should include a complete curriculum vitae and a short statement about scientific and educational achievements. The statement should highlight relevant studies and results. Special attention will be given to demonstrated leadership ability and willingness to carry out cooperative work. The 10 most pertinent scientific publications should be provided.

Four copies of the application documents should be mailed before June 9, 1994. For further information contact Professor Hans Bjoernson, Dean, phone +46 31-772 2494, fax +46 31-772 2497 or email hansbj @mot.chalmers.se.

From July 1st 1994 Chalmers University of Technology will be organised as a foundation.

FUTURES TRADER

SUPERB SOFTS AND GRAINS START-UP OPPORTUNITY

Central London
Package c.£60,000 + car + BUPA

This well-established UK trading house is seeking a self-motivated, highly self-confident generalist technical Trader to play a major role in the house's diversification into fund management and funded business.

Reporting to the Trading Manager and working in a small close-knit team, you will be responsible for carrying out trading decisions, market analysis and reporting, and the initiation and development of new concepts including options, spreading, hedging, and portfolio analysis.

This is an ideal next career step for a PC-literate Trader, aged up to 30, whose competent technical approach to markets has been developed during at least three years' trading experience which preferably includes two years of discretionary trading. Although a background in Softs and Grains is preferred, exposure to precious metals, interest rates and currencies would be of great interest. A knowledge of German would be an advantage.

To apply, please send a full cv to David Wallder.
Ref: 6194/DW/FT, PA Consulting Group,
123 Buckingham Palace Road, London SW1W 9SR.

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Creating Business Advantage
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INTERNAL AUDITOR - TREASURY

c£35,000 + Banking Benefits

Our client, a major international bank, is seeking to strengthen their audit function by the addition of a treasury specialist auditor. The role is designed to evaluate the adequacy of controls within the financial markets operations of the bank. This will require knowledge of derivative products, risk management techniques and risk control procedures within a treasury environment. Candidates must be qualified accountants, who are able to demonstrate relevant treasury experience, coupled with strong analytical, communication and presentation akills.

Interested applicants should send their cvs to Helen Highet

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5259

JONATHAN WREN EXECUTIVE

Financial Services

London **£28,000 + benefits**

KPMG Peat Marwick is one of the world's leading accountancy and management consultancy firms. The firm is synonymous with quality and professionalism. The practice enjoys a particularly strong reputation in the financial sector and is looking for a qualified accountant to join the group.

You will have at least one year's post qualification experience and whilst knowledge of bank auditing would be an advantage it is not essential. You must be bi-lingual and fluent in both English and Croatian/Slovenian with strong presentation and communication skills. You would also be expected to work overseas for extended periods of time.

Candidates interested in the position should write to Jeanette Dunworth, Human Resources Manager, KPMG Peat Marwick, 1-2 Dorset Rise, Blackfriars, London EC4Y 8AE, enclosing full career and salary details.

KPMG Peat Marwick

Providence Capitol

Providence Capitol is one of the fastest growing financial services groups in the UK. Over the past seven years assets under management have grown tenfold and are now in excess of £1.8 billion.

Providence Capitol Portfolio Managers, the investment arm of the group, has a stable, committed team of investment professionals and has delivered superior investment performance for its clients over several years.

RESEARCH MANAGER

We wish to recruit a quantitatively based researcher to manage the company's investment research. The role will include the development of quantitative models, undertaking international invaatment reaearch and the management of the team's resources.

The successful candidate will be highly numerate and likely to have general equity research experience within a computer-based environment.

Each member of our team is aelf-motivated, energetic and committed to standards of investment excellence. We are offering a competitive remuneration package.

To apply for the position, please write, enclosing a full CV, to:

PROVIDENCE CAPITOL

Carole Judd, General Manager
Providence Capitol Portfolio Managers Limited
2 Bartley Way, Hook, Basingstoke, Hampshire
RG27 9XA

sebbco
Capital Markets Limited

INTERNATIONAL BOND SALES

We are looking for two salespeople to join a highly skilled team of advisors. Candidates should preferably be graduates with a minimum of five years experience dealing successfully with institutional or corporate clients.

We are also seeking a trainee who has some experience gained in this area.

Candidates for these positions should send a detailed CV to:

Richard Eagle - Managing Director
478/480 Salisbury House, London Wall, London EC2M 5QQ

Members of The SFA, The London Stock Exchange and The International Securities Markets Association

BOND OPTIONS BROKER

An international broking house wishes to recruit an experienced Bond Options broker to develop and head-up its Bond Options desk. He/she should have experience of the product, and be able to demonstrate an excellent track record, a thorough understanding of the market, and good management skills. Previous experience of managing an Options Desk is desirable.

Applications, including full details of career to date and current earnings, should be sent to: Box A2041, Financial Times, One Southwark Bridge, London SE1 9HL.

Investment Analyst

UK INSTITUTIONAL FUNDS

Rothschild Asset Management Limited manages funds for UK and international clients, both institutional and private, and is part of a global network within the Rothschild Group.

The continuing expansion of RAM's UK institutional fund management activities has created an opportunity to augment the company's research capability through the appointment of an additional investment analyst.

Operating as an integral part of the UK institutional funds team, the successful candidate will assume responsibility for a designated portfolio spanning several market sectors, and will provide high-quality research and investment advice to fund managers.

Candidates must have a good degree and *either* a minimum of two years' analytical experience in a major investing institution plus, preferably, an IIMR qualification, *or* a professional accounting qualification and a strong interest in financial markets (in which case, training will be provided as appropriate). A team-focused approach and excellent interpersonal skills are essential as the role will entail exposure to the market and, occasionally, the client base in addition to close liaison with internal colleagues.

The post carries a competitive starting salary plus a range of banking benefits, and the potential for career development.

In the first instance, please send your full curriculum vitae, in the strictest confidence, to Tracy Phillips, Rothschild Asset Management Limited, Five Arrows House, St Swithin's Lane, London EC4N 8NR.

ROTHSCHILD

FINANCIAL ANALYST/ SPREADSHEET MODELLER

W. END LOCATION
£20-25K + BONUS

An entrepreneurial structured finance group is looking to recruit a financial analyst/ spreadsheet modeller. The ideal candidate will be a graduate in their early to mid 20's, computer literate, commercial acumen with tax and leasing experience.

Please send C.V. to: Box A2032, Financial Times, One Southwark Bridge, London SE1 9HL.

STOCKBROKER

Independent and recently established London firm requires young qualified dealer/ market-maker - must be SFA general representative.

Send detailed C.V. to Box A2047, Financial Times, One Southwark Bridge, London SE1 9HL

SENIOR INTERNATIONAL FINANCE MGR. GERMAN BASE Strong information systems exp. Resp. for accig, finance & revamping & coordination of information System Worldwide. German base. Major UK medical products company. Fluent German/English. 200,000 DM. C.V. to Executive Recruiter, 15840 Ventura Blvd, #838, Encino, CA 91436 or FAX 818-981-8505.

EUROPEAN SALES MANAGER US based medical/dental manufacturer seeks motivated multilingual individual to assume responsibility for sales in European market. Requirements; Proven track record, Self starter, Excellent communication skills, Computer proficient, Prior industry experience helpful but not required, Salary open, Write in confidence to Box A2046, Financial Times, One Southwark Bridge, London SE1 9HL.

HEAD OF OPERATIONS

C£50K + car + benefits **City**

With £30 billion under management Legal & General Investment Management is one of the U.K.'s leading institutional investors. Continuing success has led to the creation of this new role.

As Head of Operations you will be expected to manage and further develop our portfolio administration to meet increasing business growth. You will be responsible for the delivery of all administration, accounting and reporting services to satisfy demanding customer expectations and regulatory requirements.

In order to succeed in this challenging environment, you should have at least 10 years' relevant experience with a leading player in investment management. You will need to be a "hands on" person who combines sound technical knowledge with strong leadership and management skills. Most importantly you will have the presence and authority to gain the confidence of your own management team as well as senior directors throughout the business.

For an experienced operations professional seeking a new challenge this will be the ideal environment in which to develop and implement your own ideas within a successful and growing company.

If you feel you have the business experience and personal qualities to succeed in this key role, please write with full C.V. including details of your current remuneration package quoting reference L305402/04 to Jo Sutherland, Barkers Response & Assessment, 30 Farringdon Street, London EC4A 4EA.

Legal & General
INVESTMENT MANAGEMENT

Legal & General is an Equal Opportunities Employer.

European Equities Trader

Major Investment House **£ Negotiable**

We are acting for one of the world's largest investment organisations, a major force in Europe and elsewhere in both retail and institutional markets. Worldwide the group controls assets totalling over £200 billion, and the London office, which boasts a powerful team of Fund Managers and Analysts, accounts for a significant and growing proportion of the whole.

This sustained success has created the demand for a Senior Trader. The Trading Desk, an integral part of the team, enjoys discretion, works closely with the Fund Managers and offers far more than a routine booking service. The group is also at the forefront of technological developments and new workstations have recently beeo installed.

The need is for an able European Equities Trader, offering several years' directly relevant experience with a well-known investment or securities firm. There are distinct prospects for career progression and the package offered will reflect the importance attached to the role.

Please write with full details to Nigel Halsey, Managing Director, at the address below, or call 071- 495 4446. Confidentiality will be observed.

The Halsey Consulting Partnership
34 Brook Street, Mayfair, London W1Y 1YA

MARKETING MANAGERS
to £70,000 + Benefits

RISK/CREDIT ANALYSTS
to £40,000 + Benefits

1994 has brought to Jonathan Wren Executive a wide range of exclusive assignments from major client banks, who require experienced marketing managers and analysts who are ready for that vital next career move. We are especially interested in candidates who can demonstrate particular experience and skills in the following:

Marketing

* UK/European Corporates
* Property Finance
* Eastern Europe
* Utilities
* Scandinavian/Nordic

Analysis

* Corporate Finance Analysis with Financial Modelling skills
* Treasury Products
* Derivatives

Please contact Michele MacPherson for further information on 071-623-1266

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

INTEGRAL EUROPE LTD.

Management Consultants

General Manager - Europe

Integral Europe is the U.K. based management consulting arm of Integral, Inc., a small, fast growing firm based in the U.S. We are also affiliated with a large number of academics at leading universities. We are looking to hire a general manager to direct our recently established practice located in Windsor, England.

Qualified applicants should have:

- An advanced degree in business from a leading business school
- 5-7 years consulting experience
- Demonstrated ability to lead consulting teams
- Demonstrated ability to sell client projects
- Strong desire to manage an entrepreneurial operation

Responsibilities will include:

- Managing Client Relationships
- Managing Office and European Growth
- Contributing to the analytical and intellectual capabilities of the firm
- Significant travel required (3-4 days per week)

Interested parties should forward their c.v's and references to:

Ruth Band
Practice Administrator
Integral, Inc.
One Brattle Square, Fifth Floor
Cambridge, MA 02138
Phone: 617-349-2125
Fax: 617-864-3742 or 617-864-3862

SR ITALIAN DERIVATIVE SALES
(FF/Fixed Income)
£60,000+

A major US investment house based in London requires extended coverage of the Italian market. The ideal candidate will have a strong technical background with proven marketing experience in Southern Europe. Bi-lingual English/Italian essential.

This investment house demands the highest standards of commitment and professionalism. Those troubled by self-doubt should not apply.

For further information please contact Philip Ashby-Rudd on 071 623 1266

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5259

JONATHAN WREN EXECUTIVE

EUROPEAN SALES AND MARKETING EXECUTIVE

City **Attractive Package**

Thornton specialises in Asian Equity investment management and seeks a European sales and marketing executive to join an established team.

Responsibilities include sales of all Thornton products and assisting in the development and launch of new financial products for the European market.

The successful candidate will have worked within the fund management/stockbroking industry for at least 2 years, either in a similar role or as a stockbroker, analyst or fund manager. Previous experience of emerging markets, especially Asia and Latin America, is desirable. The ability to travel frequently and have at least one other European language is essential.

The compensation package includes a competitive salary, dependent upon previous experience, non-contributory pension, medical insurance and permanent health insurance.

Please write in confidence with full career and salary details to
Mrs L Merry, Personnel Officer,
Thornton Management Ltd,
Swan House, 33 Queen Street, London EC4R 1AX.

THORNTON

THE INDUSTRIAL BANK OF JAPAN

Syndicated Loans Manager

City. Circa £35,000 + Banking Benefits

The Industrial Bank of Japan, Limited is ona of the world's leading financial institutions with an international portfolio of blue-chip clients.

We have a requirement for an experienced Syndicated Loan Manager to be responsible for our institutional investors.

Ideally candidates will be graduates, preferably with an MBA and be in their mid to late 30's with at least five years banking experience including loan documentation, credit risk analysis with structuring capabilities. Candidates must be able to communicate orally and in writing in Japanese, French and English.

Interested individuals with the relevant skills should contact:
Kim Cowling, Personnel Department
The Industrial Bank of Japan, Limited, London Branch,
Bracken House, One Friday Street, London EC4M 9JA

Unique Opportunity for a Discretionary Fund Manager

A unique opportunity has arisen for a Discretionary Fund Manager who will report to the Investment Director of a small West End firm with a highly-specialised private client base.

The Fund Manager will work closely with the firm's consultants to develop and implement a wide-ranging strategic policy for each client.

With suitable professional qualifications the candidate, although primarily a specialist in UK Equities, should have some experience of Fixed Interest Securities and an understanding of International Equity markets.

Significant career prospects and a competitive remuneration package will be offered to the successful candidate who is likely to have at least ten years relevant experience.

Applicants with CV to: Box A2038, Financial Times, One Southwark Bridge, London SE1 9HL

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FIELD SALES REPRESENTATIVE
CLASSIFIED ADVERTISEMENT DEPARTMENT

Salary negotiable plus benefits

The Financial Times is a highly respected international newspaper with a reputation gained from the quality and integrity of its editorial coverage.

The Classified Advertisement Department has proved hugely successful in many areas, including Appointments, Business opportunities, Residential and Commercial Property, and Travel and Leisure. As part of our business expansion plans we are now seeking a talented individual educated to at least 'A' level standard, with a minimum of nine months experience in a publishing field sales environment, to work in the Classified advertisement department.

This will be an extremely challenging position as it is a ferociously competitive marketplace. Therefore the successful candidate must be highly organised, capable of working under pressure, able to effectively overcome objections, possess excellent communication skills and be able to work as part of a team.

Please write with CV and covering letter to explain why you should be the successful candidate to:

Claire Broughton, Classified Advertisement Manager,
The Financial Times, Number One Southwark Bridge, London SE1 9HL

No Agencies.

Institutional Equities

An international Financial Institution is looking for a seasoned sales professional with experience in Indian and other International Institutional Equity Markets. The ideal candidate will have extensive contacts with Institutional Fund Managers. Candidates not only must be able to demonstrate extensive knowledge of Indian Languages, cultures and business practices but, they must also have contacts with business and government bodies in India. A First Class degree in a finance related discipline is a pre-requisite.

Successful candidates will have strong inter-personal skills with the ability to work under extreme pressure in this hectic, growing environment. A second European Language would be advantageous.

Please send C.V. together with a letter demonstrating why you are suitable for this position to: J. D. Vine, Vine Potterton Ltd., Suite 26, Ludgate House, 107-111 Fleet Street, London EC4A 2AB.

VINE POTTERTON
RECRUITMENT ADVERTISING

APPOINTMENTS WANTED

PRIVATE CLIENT STOCKBROKER

with 20 years experience seeks Senior Position with Provincial Stockbrokers.

Write to Box A2043, Financial Times, One Southwark Bridge, London SE1 9HL

MAN FOR ALL SEASONS

Unique training and experience, tenacious, problem-solver, physician, hospital-director, researcher, author, business experience as CEO of international entertainment group.

Seeks challenging positions where these assets can be fully utilised.

Write to Box A2036, Financial Times, One Southwark Bridge, London SE1 9HL.

Compliance

Life Assurance

South East London **c£35,000 + car, bonus, etc**

Our client is the UK branch of a substantial Canadian Mutual Insurance Company, selling a wide range of life, pensions, and fraternal benefits products through two direct field sales forces.

In the context of the increased regulatory pressure currently being applied to all Life Companies, it has decided to make a major investment in expanding the Compliance function. The immediate emphasis will be on the following:-

- Improving complaints procedures.
- Ensuring "Best Advice" in all new business proposals.
- Indepth investigations of competence, honesty, and administration.
- Maximising interface between IT and Compliance.
- Introducer Vetting.

We are looking for recent, specifically relevant experience in these areas, gained in a comparable institution. Preferred age is late 20's to mid 40's.

Salary is negotiable, and the package will include a performance-related bonus, car, and full removal expenses if appropriate.

Please reply in confidence, quoting reference 2331, to Management Appointments Limited, Finland House, 56 Haymarket, London SW1Y 4RN. Tel: 071-930 6314. Fax: 071-930 9539.

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Gareth Jones on 071 873 3779

Andrew Skarzynski on 071 873 4054

Philip Wrigley on 071 873 3351

Joanne Gerrard on 071 873 4153

Brian O'Neill on 071 873 4027

1990-93 GRADUATES

OPPORTUNITIES IN STRATEGY CONSULTING

Recent graduates/post-graduates (1990-93) in search of a new career challenge are required by our successful and growing Financial Services consulting practice in London and Germany.

Booz-Allen & Hamilton is one of the world's leading management and technology consulting firms with over 5,000 employees worldwide. We provide strategy, organisation and systems expertise to the world's leading corporations through seven specialised, global practices.

Our Financial Services practice advises the Boards of banks and insurers about their business strategy, organisation effectiveness and operational efficiency. All assignments provide intellectual challenge, demand creativity and require us to work across the traditional organisational boundaries of geography, industry and function.

You will have an outstanding record of achievement - academically, professionally and personally. Your first degree must be a 1st or 2:i (or equivalent). Experience in the financial services sector is desirable but not essential. Fluent German is necessary for our German offices.

Our continued success depends on attracting and retaining consultants of the highest calibre. Our compensation package, opportunities for promotion and career development programme (including MBA sponsorship if appropriate) reflect this fact.

Apply with CV (including school and university grades) and covering letter to: Amanda Taylor, Recruitment Co-ordinator, Booz-Allen & Hamilton, 100 Piccadilly, London W1V 9HA by Tuesday 7th June

BOOZ•ALLEN & HAMILTON

ASSISTANT COMPLIANCE OFFICER

Competitive Salary & Benefits

Gartmore is one of the leading International fund management groups with around £21 billion under management. Due to our increasing business, we are seeking to appoint an assistant compliance officer. Joining a busy and highly regarded legal and compliance team of eight professionals, you will:

- Plan, co-ordinate and perform compliance reviews of business areas and products
- Review and develop monitoring systems and programmes
- Provide advice on and interpretation of SIB, IMRO and LAUTRO rules
- Liaise with external trustees and auditors
- Contribute to the general compliance work of the department

You will be a qualified accountant with 1-3 years' relevant experience, ideally within another financial institution or in the financial services department of a professional practice. You will have a sound knowledge of IMRO and/or LAUTRO rules and their application. Essential qualities are strong communication and project management skills and a team orientated approach.

If you are interested and meet our requirements, please apply with CV to Lois McLean, Senior Personnel Manager, Gartmore Investment Management plc, Gartmore House, PO Box 65, 16-18 Monument Street, Londoo EC3R 8QQ.

Gartmore

Gartmore Investment Limited, a member of IMRO.

OPEN BUSINESS SCHOOL

BENEFICIAL BANK CHAIR IN MARKETING

The Open Business School invites applicants for the Beneficial Bank Chair in Marketing.

The Open Business School offers a three-tier qualification scheme — the Certificate, Diploma and MBA — aiming to improve standards of management professionalism throughout Europe. All the courses are offered by distance learning, with high quality support provided by a network of local tutorial and counselling staff. 24, 000 students are taking the School's courses in the United Kingdom and the School is offering its course in other countries in East and West Europe.

The Chair in Marketing is funded by the Beneficial Bank plc. The Open University and Beneficial Bank have been working together since 1989 when they launched the first VISA card programme for a University in the UK. Support for the new Beneficial Bank Chair in Marketing in the Open Business School is one more step in reinforcing the relationship between the Bank and the Open University.

The person appointed will be expected to develop a coherent programme of research in marketing with existing staff in the School and to give a lead in teaching in this area. We are looking for candidates with an enthusiastic commitment to teaching managers from a wide range of backgrounds, the ability to write high quality learning materials, a thorough grasp of current developments in management education, an outstanding research record and an aptitude for leadership and management.

Appointment will be made on the professorial salary scale, minimum £30398 p.a.

To obtain an application package including further particulars please send your name and address to the Secretary, The Open University, Walton Hall, Milton Keynes, MK7 6AA, by e-mail to : Secretary@Open.ac.uk or by telephoning (0908) 653710. Further particulars are available on request in alternative formats. Closing date for applications: 24th June. Interviews will be held on Wednesday 5th October.

The Open University

Disabled applicants whose skills and experience meet the requirements of the job will be interviewed.

Equal Opportunity Is University Policy.

Quantitative Analyst

INTERNATIONAL EQUITIES

Rothschild Asset Management Limited manages funds for UK and international clients, both institutional and private, and is part of a global network within the Rothschild Group.

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c£40,000 + Benefits

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If you are interested in this position, please send your cv to Helen Highet

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
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Interested individuals with the relevent skills should contact *Suzanne Schecter*, enclosing a full curriculum vitae to the address below:

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Tel: 071 404-6446 Fax: 071 404-6062

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NORWICH UNION

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ACCOUNTANCY COLUMN

Auditors hedge their bets on derivatives

The accounting treatment of financial instruments in the US is in flux, writes **Richard Waters**

The reported profits of US companies that use complex financial instruments to manage their risks look set to become much more volatile, leading many companies to stop using all but the simplest derivative instruments.

There is a new unease (some might say, panic) among accountants and auditors in the US aboot the way many companies use – and account for – these financial instruments. The interest being shown by regulators and legislators has also sharpened the accounting profession's attention.

Recently announced losses from miscued corporate hedging strategies have set the tone. The $102m after-tax loss ($157m pre-tax) taken by Proctor & Gamble on two leveraged interest rate swaps last month has reverberated through the corporate and accounting worlds.

Of particular concern to the bean-counters is the fact that P&G had been treating these instruments as straightforward hedges – even though, it now says, they were highly risky bets that US and German interest rates would rise.

US accounting rules give companies considerable leeway in their treatment of financial instruments. If P&G had been exploiting the weaknesses in the system, how many others?

A restatement of its figures last week by Caterpillar Financial Services, after a review by auditors Price Waterhouse, could become the norm as companies scrutinise their derivatives holdings more closely, and auditors (fearing shareholder lawsuits) become more cautious.

Companies can pick either of two ways to account for derivatives. One, known as hedge accounting, involves matching gains or losses on a financial instrument against the asset or liability it is intended to hedge. Any profits or losses on the instrument are deferred. Provided the hedge works, these can be set off later against corresponding losses or gains in the underlying asset.

Under the second method, all derivatives are shown at market value at the end of each period, and any gains or losses are taken through the profit and loss account immediately. Mark-to-market accounting produces volatile quarterly earnings. It fails to reflect the economic reality of an effective hedging strategy, critics say.

Companies, naturally, prefer hedge accounting. Under lax accounting rules, many may have shovelled instruments into this category which more realistically should have been marked to market.

Auditors are clearly getting more wary. Caterpillar's financial services arm says it uses a variety of instruments to protect its net interest income, including interest rate swaps, forward rate agreements, caps and swaptions. The last two, Price Waterhouse now says, should be marked to market (previously, Caterpillar had hedge-accounted the whole book.)

Caterpillar Financial Services was forced to restate its first quarter figures to record a $5.4m after-tax charge, cutting its profits for the period to $6.4m. In future, its quarterly earnings will depend on the market value of those instruments at the end of each period.

If writing caps and swaptions was part of an overall risk-management strategy, as Caterpillar claims, then such an accounting treatment is nonsense – the figures do not reflect the economic reality. Caterpillar said it won't write caps and swaptions in future, but will stick to instruments that qualify for hedge accounting.

The problem for companies and their auditors is, how do you decide what is a hedge and what isn't?

There is little guidance. Rules have been developed for foreign exchange forward contracts and interest rate swaps, which have been applied by extension to other situations.

To justify using hedge accounting, companies normally have to meet fairly strict criteria. General practice is to apply three tests. A company's managers must identify the exposure they want to hedge; establish that the instrument will actually reduce this exposure; and designate which risks each instrument is intended to hedge.

Applying these principles in practice is not easy. "Modern risk management doesn't work that way," says Mr Bob Herz of Coopers & Lybrand. Companies pool their various exposures and manage risk on a portfolio basis.

Some common uses of derivatives are uncontroversial. If companies borrow variable-rate money and use an interest rate swap to convert it to fixed-rate, the practice is to account for this as synthetic fixed-rate debt (rather than treating the two parts of the transaction separately).

Others situations are less clear-cut. What about the use of forward contracts to hedge foreign exchange exposures on sales which have not yet been completed? Most big exporters hedge their expected future sales to some degree (on the assumption that their on-going business will continue to involve foreign currency receivables). But under the strictest accounting interpretation, entering a forward exchange rate agreement under such circumstances amounts to speculation.

The General Accounting Office – the investigative arm of Congress – waded into the debate last week, urging the accounting profession to consider scrapping hedge accounting altogether. It said it isn't clear how direct the correlation must be between a hedge and the underlying asset or liability, or how often the effectiveness of the hedge needs to be reassessed. "Determining whether a hedge is operating effectively and thus qualifies for hedge accounting is difficult in reality," the GAO said.

The Financial Accounting Standards Board may also be leaning towards full mark-to-market accounting. Last June, it put forward some tentative conclusions about how to apply hedge accounting to all types of derivatives. In December, though, it went back to the drawing board.

It is now considering two possible approaches – to develop the hedge accounting approach, or to require all instruments to be marked to market. Under the second, trading profits and losses would be taken into the income statement, whereas gains or losses on derivatives which are used for risk-management purposes would be shown as an adjustment to equity.

There is another interesting accounting twist to the P&G saga. According to Bankers Trust, the consumer products company has bought other leveraged swaps from the bank in the past and made a profit on the deals. Why hasn't P&G reported these as trading profits?

At the end of last year, Eastman Kodak was sitting on paper losses of $492m on derivatives contracts. It is a big user of interest exchange rate derivatives, but gives little information about how these instruments are used.

Some of the paper losses could be realised in the near future. The company plans to pay off part of its $7bn debt by selling three of its businesses. The cost of liquidating interest rate swaps associated with this debt could amount to between $250m and $350m, according to Mr Alex Henderson, an analyst at Prudential Securities.

The swaps have kept down the interest charges reported by Kodak in the past. A one-off charge now would beg the question why the swap losses weren't offset by a matching gain from pre-paying the debt.

Like many big US companies, Kodak refuses to discuss its hedging policies beyond what appears in its accounts. The Securities and Exchange Commission has written to several big companies putting pressure on them to say more about their use of derivatives.

Kodak said it was not aware of reciving a letter.

intel. HI-TECH MARKET LEADER
International Business Review

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Intel's performance in its 25 year history has been outstanding. The first company to introduce microprocessors in 1971, well over three quarters of the world's PCs are now based on Intel technology. Global leader in the manufacture of semiconductors, profits last year soared by 115% with revenues up 50% to more than $8 billion.

The company's commitment to state-of-the-art technology is evident in its R&D spending - $970 million in 1993 - keeping it at the leading edge of advanced electronics. The elite Business Review team plays a vital role in establishing new systems, processes, procedures and controls, acting as a catalyst for Intel's drive towards world class performance and practices.

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Candidates must have an excellent academic record, either MBA, CIMA or ACA qualification, at least 2 years pqe either in practice or industry and audit experience gained ideally in a high-tech or manufacturing environment. Highly-developed communication skills are essential together with confidence, enthusiasm and a real desire to work as part of a high-achieving team.

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Interested applicants should contact us on 071 329 4649, or during the evenings and weekends on 071 231 8272. Alternatively send or fax your CV quoting ref 067 to the address below.

Note: Any CVs sent to the client by other recruitment consultancies will be forwarded to Alderwick Consulting Limited.

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SEARCH & SELECTION

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Group Financial Controller

West End **£38,000 + benefits**

Our client is a highly regarded UK plc, with turnover in excess of £60m, anticipated to double over the next two years, providing a quality range of products and services that span a broad customer base. The Group operates within the communications and media sectors throughout an expanding network of offices in the US, Europe and the Far East.

As a consequence of continuing development from organic growth and future acquisitions together with internal reorganisation a Group Financial Controller is now sought who will strengthen the small head office team based in the West End. Key objectives of the role will include the review, appraisal and consolidation of all financially orientated management information for the Group including, monthly reports, forecasts and budgets, and the preparation of Group statutory accounts. Involvement in and instigation of special projects such as modelling and the further enhancement of the Group reporting function are also essential elements of the role.

Candidates, age indicator late 20s/early 30s, will have excellent technical experience coupled with the ability to work to tight deadlines. The appointee must also have good organisational and interpersonal skills to bring initiative, energy and enthusiasm to this well motivated young management team and wish to progress in their own career development.

Please write enclosing full curriculum vitae, quoting ref 624 to:
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FINANCIAL SELECTION & SEARCH

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NatWest Markets holds a leading position in the world of corporate and investment banking. Comprised of eight highly successful businesses, our activities cover trading, corporate banking, asset management and specialist advice. 1993 was an exceptional year for NatWest Markets and in particular, our Securities Division consolidated its position as one of the top UK equity houses, with more highly ranked analysts than any other firm.

This market leading position has been achieved by research excellence. An opportunity currently exists to join the investment analysis area.

The role forms part of a well-established team involved in the research and marketing of a range of companies within specific sectors. This research encompasses sector reviews, comparative analysis and the evaluation of company results. You will be responsible for creating and providing thorough and detailed analyses of quoted companies and will liaise extensively at senior levels. The role will also involve sales and marketing to investors.

Probably aged 25-29, the ideal candidate will be a qualified ACA or MBA, displaying academic excellence and one of the following backgrounds:

- Working within Public Practice and able to demonstrate strong analytical skills, perhaps gained through a secondment to management consultancy or corporate finance.
- Working within the investment research, credit analysis or corporate finance department of a major financial institution.
- Performing a strategic/analytical role within commerce and industry.

The successful individual will be a tenacious team-player, exhibiting strong interpersonal skills, a high degree of professionalism and the ability to work to tight deadlines. Proficiency in report writing and presentation is essential, whilst experience of investigation work covering large corporates would be beneficial.

For further information, please contact our retained advisors, Guy Townsend or Brian Hamill of Walker Hamill Ltd, on 071 287 6285. Alternatively, please forward a brief resumé to their offices at 29-30 Kingly Street, London, W1R 5LB, quoting reference GT339. All direct responses will be forwarded to Walker Hamill.

NWM
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This challenging job in an exciting industry offers the rewards package as indicated together with full executive benefits including a fully expensed car and relocation assistance where appropriate.

Please write with full career and salary details - in confidence - to: Tim Harney, Ref: 58D88, MSL International Limited, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

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Mutual Funds Accounting Unit Head

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THE APPOINTMENT

- Manage a substantial team focusing on the accuracy and appropriateness of mutual fund net asset values.
- Play a key role in the development, implementation and valuation of new funds and of new instruments introduced into existing funds.
- Ensure correct accounting policies and procedures are adopted for new funds and investment instruments.
- Participate in client reviews and the annual budget; manage the auditing process.

THE REQUIREMENTS

- Graduate, with strong intellectual skills, probably aged 30-40, with a recognised accountancy qualification.
- Currently working with an audit firm focusing on mutual funds or unit trusts, or alternatively based within a fund management house.
- Fluent French and English a prerequisite.
- Mature and dynamic with strong management, interpersonal and communication skills.

Please apply in writing with a full CV and salary details, quoting reference 6440G, to Susannah Truswell.

K/F Associates, Regent Arcade House, 252 Regent Street, London W1R 5DA.

K/F ASSOCIATES
Selection & Search

CORPORATE ACCOUNTANT

M25/M40 Location **c £25,000 + benefits**

The Albert Fisher Group PLC ("Albert Fisher") is a major international food service and distribution group operating in the UK, Continental Europe and North America.

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Albert Fisher is a dynamic and expanding international business in which there is career development potential for the successful candidate.

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Candidates should submit a detailed curriculum vitae to:

Dept SV.,
Group Accounting Manager,
The Albert Fisher Group PLC,
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FINANCE DIRECTOR

Influencing Key Management Decisions

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+ Share Options
+ Benefits

Milton Keynes

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Please apply directly to Laura Mosby at Robert Half, Walter House, 418 The Strand, London WC2R OPT. Telephone: 071-836 3545, or evenings on 0277 261433. Alternatively, fax your details on 071-836 4942.

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- Forward thinking ACA, aged 35-45. Senior finance experience from FMCG or sales-driven organisation.
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- Strong personality. Able to see beyond the numbers.

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Candidates aged in their lata twenties or early thirties will be qualified accountants with a science based degree who can demonstrate a track record which encompasses management as well as technical skills ideally gained within a fast moving manufacturing environment. Highly motivated, the individual must possess the drive, initiative and commercial flair required to make an impact in a dynamic business. Development prospects are excellent.

Interested applicants should write to Fred Howie, Managing Director at Northern Recruitment Group, Vine House, Vine Lane, Newcastle upon Tyne NE1 7PU. Telephone 091 261 6940. Fax 091 261 8466. Please quote reference FH6276.

NRG

Divisional Financial Controller

PEPSI — PEPSI-COLA INTERNATIONAL — 7UP

South West London **c £80,000 Package + Car**

Pepsi-Cola International (Europe), PepsiCo's European beverage business, has a turnover of $2bn, having doubled in size over the last two years and being on track for continued double digit growth in the future. This growth has been achieved by strategic acquisitions and Joint Ventures, together with a substantial investment in the aggressive development of new and existing beverage brands. A small central team, based at Richmond, Surrey, provides the strategic thrust for the Western and Eastern European businesses and co-ordinates the activities of the fully decentralised field operations.

International promotion has created the opportunity for a key individual to strengthen the Division's Finance function and to assist in the achievement of the company's objectives.

Responsibility will be to the Vice-President, Finance for the integrity of financial control throughout the Division. Key areas of involvement will be to provide strategic financial oversight across the wide range of operating subsidiaries, working closely with the tax and treasury functions to maximise cross-border opportunities, ensuring compliance with statutory and parent company reporting requirements and coaching operating company finance functions in "best practice".

This is a high profile role, requiring international interface at all levels of management and providing substantial opportunity for "fast track", international career development. Candidates must, therefore, be exceptional.

The background we seek will include outstanding academic and professional qualifications, together with a ten-year track record of proven achievement to date in demanding, results-driven environments.

The remuneration package is designed to attract and retain the best. It will not be a limiting factor in the decision-making process.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref: 188785, to Alan Dickinson FCMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker St, London WC2B 5LH.

Michael Page Finance
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FINANCE DIRECTOR

East Midlands ***c£40,000 + benefits***

Our client is a profitable group of residential and nursing care homes. The business currently operates over 20 homes and annual turnover is projected to exceed £9 million.

The company has recently secured funding support from a financial institution and completed a major acquisition. The intention is to float the company on the Stock Exchange within the next eighteen months.

The Finance Director, as part of a close knit team, will be expected to contribute to the profitability and growth of the business and assist in the implementation of its corporate strategy.

At an operational level, responsibilities will include systems development, financial control, improving the quality of management information and planning.

The successful candidate will be a qualified accountant aged 30 - 40. Flexibility, self-motivation and a desire to make an impact on the business are essential. Experience of the flotation process would be a distinct advantage. The position will provide excellent prospects for the successful candidate.

Applicants should send a full CV to Andy Raynor at:

Stoy Hayward
Chartered Accountants
Foxhall Lodge
Gregory Boulevard
Nottingham, NG7 6LH

All applications will be treated in the strictest confidence.

Financial Planning Manager

Retail

Northern Home Counties **to £45,000 + Bonus + Exec Car**

A leading high street name, our client, is already the market leader in its field. Recent merger and re-organisation now requires a high calibre Financial Planning Manager to join the executive team in steering them towards an ambitious and exciting future.

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A young and dynamic envitooment, candidates ideally aged mid-30s will be qualified accountants or MBA's with a strong track record in demanding retail environments. Highly developed interpersonal skills are a pre-requisite and candidates must be able to demonstrate excellent marketing and business analysis skills. Applicants with previous Plc experience who can show evidence of involvement in key financial corporate projects will be of particular interest.

If you feel that you have the credentials to pursue this newly created role, please forward a comprehensive curriculum vitae, quoting ref CT1905, to Chris Tovey at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.

Michael Page Finance
Specialists in Financial Recruitment
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Group Controller

Major UK plc

Central London c.£80,000 + substantial bonus + car

This £2bn group comprises an impressive portfolio of retail businesses, primarily in the UK but with a growing international presence. Recently announced results confirm the group's strong financial position and confidence in its ability to sustain profit growth.

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A new group finance role has been created to complement a dynamic senior management team. Reporting to the Director of Group Finance and Development, in a non-hierarchical, task-oriented culture, the appointed candidate's key tasks/responsibilities will include:

- developing financial and management accounting/reporting processes on a group-wide basis to ensure total integrity and control;
- managing the provision of all financial and performance reporting for the Chief Executive and Group Board;
- liaising closely with senior management at divisional and operating company levels to develop a clear understanding of business issues and take a proactive role in achieving corporate objectives.

This is a high profile and demanding role that requires considerable commercial acumen, proven financial management experience at group and operating company level and outstanding communication skills. Candidates will be graduate qualified accountants aged mid to late thirties and must be high achievers who have the drive, intellect and personality to command respect throughout this progressive and successful group. Career development prospects are outstanding at both group and operating level.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 289J on both letter and envelope, and include details of current remuneration and availability.

GKRS
SEARCH & SELECTION
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 071 287 2820
A GKR Group Company

Financial Controller

Food

East Midlands **to £40,000 + Car + Relocation**

Our client, a major subsidiary of an established Food group, is a market leader in both branded and home label products, and has a long established and respected name. Substantial investments in improved production facilities and IT now sees them poised to take the business to new heights.

Greater emphasis must be now be placed on strategic planning than ever before in what is an increasingly dynamic and demanding arena, and this newly created position will support the Finance Director through an exciting period of change.

Managing a small, young team, candidates must also have the maturity to relate ot Group levels.

Ideally aged 35 to 45, you will be technically excellent with a hands on approach, and display high levels of energy and enthusiasm. Applicants with corporate finance and acquisition experience will be of particular interest.

If you believe you have the qualities to fulfil this role and the energy to take this company towards an exciting future, then please forward a comprehensive curriculum vitae, quoting ref: CT1907, to Chris Tovey at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.

Michael Page Finance
Specialises in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

T&N International Finance Task Force

Manchester **£30-35,000 + Car + Benefits + Relocation**

T&N is a multi-faceted engineering group, recognised as international leaders in our component manufacturing sector and with a global reputation for excellence in materials technology. Our turnover is now approaching £2 billions. From Group Headquarters in Manchester we control some 200 subsidiary companies throughout the World. Our Finance Task Force exists to maximise overall profitability by the identification and advancement of commercial opportunities on an international basis. We intend to further expand the activities of this function by the appointment of two high calibre individuals with the desire to further broaden their overall business experience.

THE ROLE

- Working as part of a small high profile team you will be responsible for a diverse spectrum of business issues both internationally and throughout the U.K. This will include a high degree of analysis, decision making and the practical solution of commercial business problems.
- Your particular value will derive from your personal energy, your professional approach and commitment to the role and your totally flexible attitude to international travel.
- You will develop relationships with managers at all levels throughout the group which will be important in influencing changes that affect them.

THE QUALIFICATIONS

- A fully qualified Accountant (probably in the age range 30/35) with international industrial experience (and ideally with strong linguistic ability in at least one mainland European tongue).
- Demonstrable skills and exposure in EITHER acquisitions, disposals and corporate financing in a substantial multi-currency environment OR in the commercial management of manufacturing facilities with a sound appreciation of the design and limitations of production planning and product costing systems.
- The ability to take decisions and to clarify to non financial managers why a particular course of action should be taken.
- A total interest in the commercial aspects of a business coupled with a chronic abhorrence of routine figure production.

To pursue your interest in this first class opportunity you should initially forward your curriculum vitae with complete confidence to our advising consultants who are solely handling this exercise: Peter Downes Associates, Brookside Cottage, Red Lumb, Norden, Rochdale, OL12 7TX. Please mark your envelope SSS 42. If you have specific points you wish to discuss beforehand you may contact Peter Downes during office hours on 0706-32443.

Peter Downes Associates

SFC 證券及期貨事務監察委員會

SECURITIES & FUTURES COMMISSION

Director – Accounting Policy

Hong Kong **Substantial HK$ salary and benefits package**

Established in 1989, the Hong Kong Securities and Futures Commission (SFC) is a statutory body with overall responsibility for regulating and promoting the development of Hong Kong's securities and futures markets.

This is a new and high-profile role encompassing the following areas:

- assisting the SFC on all aspects of policy formulaoon for financial disclosure by listed companies in Hong Kong including accounöng and auditing standards and compliance and enforcement matters.
- representing the SFC in its dealings with the Hong Kong Society of Accountants (HKSA) including sitting on various committees of the HKSA.
- providing advice and guidance to the SFC on existing accounting and auditing standards.
- overseeing the financial disclosure requirements of companies listed on the Hong Kong Stock Exchange.

Applicants must be qualified accountants and should have experience of operating at a senior level dealing with technical accounting issues in a major accounting firm, or one of the accounting institutes, or a commercial or regulatory environment. You should be a pragmatic individual, with good management and communication skills. The ability to speak/write Chinese is an advantage but NOT essential.

The position carries a very attractive salary and benefits package including housing contribution, medical cover and re-location allowance.

All applications are being handled exclusively by our retained consultant, **Geraint Evans LLB, Director – International Recruitment Division, Douglas Llambias Associates, 410 Strand, London WC2R 0NS. (Fax 071 379 4820)** to whom you should forward a detailed curriculum vitae.

DOUGLAS LLAMBIAS

RECRUITMENT CONSULTANTS

Managing Director

Financial Services

London **c.£70,000.+ Benefits**

The Challenges

A start-up situation to develop a strong business from an established client base and also a wide network of professional contacts.

The Experience

Experience of the Tax and Financial Planning market-place.
Demonstrable experience of client development and business building.
High quality delivery of a professional service.
Good at managing a team of professional staff.
Well developed interpersonal skills and the ability to communicate effectively and motivate others.

The Candidate

Age 35-45.
Currently in an executive role with a bank, insurance company or other financial organisation.
Entrepreoeurial skills and ability tu develop strategic thiuking.

Our Client

A progressive firm of Chartered Accountants with a clear picture of their position in the market-place.
Currently active in this market-place but now seek tu adopt a more active development programme to capitalise on growth potential.

Please send a full c.v., quoting
Ref: FT260594/B, to **Bruce Page, CA**
Douglas Llambias Associates
410 Strand, London WC2R 0NS
Tel: 071-836 9501 Fax: 071-379 4820

DOUGLAS LLAMBIAS

RECRUITMENT CONSULTANTS

Manager of Finance

Sales and Marketing

Outstanding ACA/CIMA/ACCA North London

To £37,000 + Car + Bonus

WH

Our client, the UK operating subsidiary of a leading global financial services group, is continuing its policy of growth, primarily through organic expansion. The new high calibre management team is committed to developing cost and service strategies that ensure they compete with the best, thereby increasing profitability. Substantial domestic business opportunities are envisaged.

Working closely with the Sales and Marketing function, and reporting to the Group Finance Director, the appointee will be primarily responsible for the financial development of business plans and new sales and marketing initiatives. This new role will be extremely proactive and will involve extensive liaison with senior management throughout the group. The successful candidate will also be responsible for a small financial support team.

The ideal candidate will be a qualified accountant, with a strong academic background and a minimum of two years post qualification experience. Previous exposure to a sales and marketing driven company would be an advantage. However, it is essential that applicants should have good commercial judgement, be assertive but diplomatic, and have the ability to initiate and manage change.

The rewards include an attractive remuneration package, together with a company car, large company benefits and the opportunity to develop a stimulating career within this high profile international group.

Interested candidates should write, in the strictest confidence, to Robert Walker or Brian Hamill, forwarding a curriculum vitae to our London office quoting RW1432.

WALKER HAMILL

Executive Selection

29-30 Kingly Street
London W1R 5LB

Tel: 071 287 6285
Fax: 071 287 6270

ap Accountancy Personnel

FINANCIAL MANAGEMENT IN FINANCIAL SERVICES

East Anglia c£40-45,000 + Excellent Benefits Package

Our client is a major player within the Financial Services industry who can provide an arena for both medium and long term career development which is unparalleled in this sector. A key division within the organisation now seeks a Financial Manager to help develop a business strategy placing significant emphasis on future expansion both in terms of market development and profitability.

The Role

Key responsibilities include:

- Provision of Financial Management for the division including quarterly reporting and performance analysis.
- Responsibility for the management, development and motivation of a high calibre team of 22 staff.
- Project management of major strategic projects.
- Cash management and performance monitoring of treasury and investment activity.
- Internal control.

The Appointee

Key qualities will include:

- Confidence, a sharp mind coupled with tact and an ability to think on their feet.
- A record of significant achievement to date, self motivation and a personal goal setter.
- A qualified accountant with a first class academic background.
- Financial Services experience or possibly a record of achievement within a blue chip environment.
- Aged 30-35 with the ability to drive through change in a fast moving organisation.

For further details, please forward your CV to Lynn Hardy in complete confidence, at Accountancy Personnel, Janus House, 46 St Andrew's Street, Cambridge CB2 3AH. Telephone: (0223) 461369. Fax: (0223) 352028.

Hays

FINANCIAL CONTROLLER

Agent of change – leisure sector

Outer London c.£55,000 + substantial bonus + car

This new position with a high profile international plc requires an individual with firm commitment to delivering results, coupled with strategic ability and a strong business orientation. The UK division generates revenues in excess of £200m from 100 locaoons and is leading the Group's strong recovery from the recession. The person appointed will join a rejuvenated management team driving major changes throughout the business, including considerable investment in new IT systems. Success in this role will open up significant career development opportunities.

The Role

- Deliver accurate, timely financial information and ensure effective controls are in place to maximise business performance.
- Enhance the quality of financial information and its relevance to operational needs.
- Lead the accounting team of 40 through the implementaöon of a new generation of systems; manage the impact on central and branch-based staff.
- Contribute to business planning and forecasting; direct the internal audit function.
- Considerable interface with Group Directors and field management.

The Person

- Qualified accountant, aged 30-40; background in retail or leisure ideal.
- Proven ability at senior level, managing a sizeable accounting team (15+) in a fast-moving, multi-site business.
- Successful track record spearheading a major IT implementation project.
- Commercially astute, first class interpersonal skills, inspiraöonal leader and team builder.

To Apply

- Please send c.v. quoting reference 2221 and salary details to Stuart Spindler.

STUART SPINDLER & Partners

EXECUTIVE SEARCH & SELECTION • RESOURCING PROJECTS • HR CONSULTANCY
Old Shire House, 26 The Forbury, Reading RG1 3EJ Tel: 0734 394506

Poland (Warsaw)

Up to £40,000

Plus Expat Benefits

Chief Financial Officer

The Company

Through efficient and effective organisation complemented by a dynamic business ethos our clients' continued success is virtually guaranteed. Worldwide turnover exceeds $150m and the Polish business unit is set to make a substantial contribution to group figures. Their products already occupy prominent positions in the Polish economy and have captured a large share of the market.

The Role

Reporting to the President of the Management Board, you will be responsible for the implementation of Western style accounting procedures and management information systems. You will be required to extend your responsibilities beyond that of the Finance department, to the overall management development and growth of the company in Poland. Prospects are excellent – an opportunity to join the Management Board demonstrates a commitment from the company to take your career to the next stage and further.

The Candidate

The successful candidate is likely to be a professionally qualified accountant. You will have a solid understanding of Financial First Principles and systems implementation. Strategic planning, budgeting and forecasting will be areas of strength in your career to date. Knowledge of Polish accounting and tax law is advantageous. The preference is for Polish and German speakers, however candidates with basic Polish and/or work experience in Poland are encouraged to apply.

Please send a full resumé with covering letter to the address/fax below quoting reference FT 2276 on all correspondence. Applications will be treated in strictest confidence.

ANTAL INTERNATIONAL
Executive Recruitment

Riverbank House • Putney Bridge Approach • London SW6 3JD
Tel: +44 (0) 71 371 9191 • Fax: +44 (0) 71 731 8160 (24 hrs)

NCVQ

DIRECTOR OF FINANCE AND ADMINISTRATION

The National Council for Vocational Qualifications was set up by Government to establish and maintain a comprehensive system of vocational qualifications accessible to everyone competent to reach standards approved to meet modern employment oeeds.

THE POST, answering to the Chief Executive, carries responsibility for the proper financial direction of the Council. It plays a leading part in both its business and administrative management and its strategic development.

CANDIDATES, appropriately qualified professionally, must show a success record in management accounting, financial control and planning and company secretarial work.

Salary scale to around £55,000. Civil Service type pension and benefits. London base.

Write in confidence with CV to Richard Addis, Charity Appointments, 3 Spital Yard, London E1 6AQ.

Charity Appointments

A registered charity serving the voluntary sector

FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: **Philip Wrigley on 071 873 3351**

Management Accountant – Securities

c.£30,000-£35,000 Package

Based in the City, our client is a major securities brokerage house with global presence and seeks to appoint a professional Management Accountant. You will work as an integral part of a highly motivated management team producing management accounts, budgets, cost analyses and allocations. The incumbent will also assist in all financial product accounting and taxation matters for fixed income securities and derivative products. Reporting to the Controller, the successful candidate will also work closely with both line and senior management to review and explain cost allocation analyses and variances. A creative and innovative approach to problem solving and good communication skills are important. A competitive salary package will be available, depending on experience.

We invite application from qualified accountants with at least one year post qualification experience in securities or the financial services industry or in relevant audit with a leading firm.

Applications will be treated in the strictest confidence and should be sent to David Williams quoting ref: 94/107

Williams Wingfield Ltd, Search & Selection Specialists
Astral House, 125-129 Middlesex Street, London E1 7JF
Tel: 071-623 9493 Fax: 071-626 1263

Williams Wingfield

The World is yours...

After two years of pro-active contribution and personal development within the internal audit team of one of the world's most prestigious companies, you will be promoted into a world where the only limits are your own. Vacancies exist due to recent promotions to France, Singapore and the USA.

AUDIT MANAGER

Reporting to the Regional Audit Manager, you will be responsible for supervising professionals in the conduct of financial and operational audits, as well as assisting in the management of the European regional office, including budgeting, scheduling, training and recruiting. Candidates should be graduate Chartered Accountants or hold an MBA degree, aged 30-36 and have experience of both auditing and line management. Fluency in English and at least one other European language, along with a willingness to travel (40% content) are required.

SENIOR AUDITOR

You will join a young, dynamic and international team which answers directly to the USA. Reporting to an Audit Manager, you will immediately commence work on financial and operational audits and ad hoc assignmants. Candidates should be graduate Chartered Accountants, aged 26-29. Fluency in English and at least one other European language, along with a willingness to travel extensively (75% with return to home base at weekends) are required.

The Company has revenues in excess of $21 billion operating in the manufacture of medium to high technology products. Based in Surrey the European Audit team is well established and respected within the Group. If you are not one to shirk the contentious issue or the serious challenge, then the world is your oyster......

Interested applicants should write in confidence to Rod Bailey at Nicholson International, Search and Selection Consultants, Bracton House, 34-36 High Holborn, London, WC1V 6AS alternatively fax your details on 071 404 8128 or telephone 071 404 5501 for an initial discussion.

Management Accountant

Jubilee Line Extension Project

c£32,500

One of the major urban railway construction projects of our time, the Jubilee Line Extension will provide greatly improved transport between the West End, Docklands and South East London. It will create significant opportunities for new business and employment in Docklands and have a considerable impact on life in the capital.

Reporting directly to the Project Finance Manager, you will supervise a small, but highly effective, team responsible for the financial monitoring and reporting of the Project. You will ensure that all reports are compiled in accordance with the relevant accounting conventions and the Project's control, and that the reporting requirements of the Project, London Transport and the Department of Transport are satisfied.

Professionally qualified, with at least five years post-qualification experience, you should have proven ability in inflation and/or multi-currency accounting, knowledge of financial evaluations in the construction industry and of the implementation and operation of multi-user computer systems. You will also need to have good team management and communication skills, be self-motivating and able to cope with tight deadlines.

The role offers a large-scale challenge in an important undertaking. The project team will be relocating shortly to first rate offices at Canary Wharf.

The appointment will be offered initially on a two year contract basis with every probability of renewal. There is an excellent benefits package which includes generous travel concessions.

Please write with full career details and daytime telephone number, quoting reference UMV/2207X, to Zoë Nicholas, Recruitment Consultant, Personnel Services, London Underground Limited, The Recruitment Centre, Station Approach, Baker Street, London NW1 5LD.

Working Towards Equality

FINANCIAL DIRECTOR DESIGNATE

Financial role with a strong business planning bias

* Circa £40K + car + bonus
* Number 2 to the M.D.
* Berkshire

Technocom is a successful British company that specialise in the supply, installation, support and maintenance of software, hardware and peripherals for users of local area networks (LANs) and IBM systems. Revenues are currently £6 million, with a track record of 50% growth every year for the last 5 years and 21 consecutive quarters of profitable trading.

In order to continue this dramatic growth, we are looking for a dynamic person, reporting to the Managing Director, who will be responsible for providing strategic business planning, revenue forecasting, computerised profit and loss modelling and for drafting and negotiating supplier and customer contracts, in addition to the normal Finance departmental duties. Responsibilities also include the management of Inventory Control, Purchasing, Quality Control and Facilities. The position has management responsibility for 16 staff.

The successful candidate must have:

* a professional accountancy qualification
* a minimum of 5 years professional finance experience in any sector
* experience of managing a team
* exposure to managing the Inventory Control function operating to BS5750/IS09002 standards
* experience of negotiating and drafting contracts

Applicants, preferably aged 30-40, must have presence and credibility and have their finger on the pulse of the business. This will be combined with strong leadership qualities and an ability to motivate others. The applicant must be thorough and rigorous, with an analytical mind and be able to meet tight deadlines.

For a confidential discussion, please call Ruth Guthrie or Jane Hanney on 0753-673240 or send your details to Technocom plc, 17 Liverpool Road, Slough SL1 4QZ. Fax: 0753 538415.

CORPORATE FINANCE EXECUTIVE

London Age: 25-35 to £35k

We are a leading corporate finance company advising acquirers, vendors and MBO teams on deals worth between £2 million and £50 million plus. To meet increasing demand for our services, we need to recruit another executive:

* who is a qualified chartered accountant with previous deal experience in acquisitions, disposals or MBOs preferably with a second European language
* has worked for a quoted group, or a corporate finance department or a venture capital house in the City, after leaving the profession
* keen to work in a demanding, entrepreneurial and meritocratic environment, which offers opportunities to earn promotion and high financial rewards

Please send your CV, details of your present salary and a daytime telephone number to Barrie Pearson, Executive Chairman.

Livingstone Fisher Plc,
Acre House, 11-15 William Road, London NW1 3ER

LIVINGSTONE FISHER
The Acquisition & Disposal Specialists
A Member of FIMBRA

INTERNATIONAL FINANCIAL CONTROLLER

Based Essex c.£40,000+Car+Benefits

Our client, a major Plc, is seeking a graduate ACA to take control of all financial and part of the administrative functions of one of its subsidiaries which is in itself an international concern.

The ideal candidate would be in his or her mid 30's with a track record that includes exposure to the spectrum of worldwide taxation, and be able to demonstrate the ability to take an international, as opposed to narrow national, viewpoint. This is a role that demands a high degree of commitment from a confident and articulate person who is prepared to shoulder a large workload and meet the demands of a great deal of international travel. The ambition to progress to a senior management role within a forward looking company is essential.

To apply, please send your CV to Tom Kerrigan at Austin Benn Executive Search & Selection, 15 Eastcheap, London EC3M 1BU by 13th June 1994.

Executive Search & Selection Division Austin Benn

B B C

Regional Business Managers

The BBC World Service is the international service of the BBC. It reaches an audience of 130 million in English and 38 other languages and is the international broadcaster with the biggest audience in the world.

The World Service has recently been reorganised into six regions, Asia-Pacific, South Asia, Africa and the Middle East, the former Soviet Union and South West Asia, Europe and the Americas.

We are now seeking to appoint six Regional Business Managers who will play a key strategic, commercial and financial role as members of their regional management teams.

Working to the Heads of Region and leading a small support team, the Regional Business Managers will be responsible for:

* business planning, budgeting and forecasting;
* managing the region's own resources and contracting for other resources in the BBC;
* interpretation of management accounts to the regional management team;
* accurate and timely input of regional data to the World Service's finance system;
* advice on commercial initiatives;
* commercial contract negotiation;
* financial and value for money analyses.

The Regional Business Managers will have a strong professional line to the Financial and Commercial Controller of the World Service.

Candidates should preferably have an accountancy or other business qualification. The ability to liaise well at senior management level and to gain the respect of editorial staff is essential. Previous experience of broadcasting is not necessary, but an interest in broadcasting and an international outlook are pre-requisites.

Salary according to qualifications and experience. Based London.

Interested applicants should send a CV (quote ref. 15334/F) to Recruitment Office, BBC World Service, Bush House, Strand, London, WC2B 4PH, by June 9th.

WORKING FOR EQUALITY OF OPPORTUNITY

FINANCE DIRECTOR DESIGNATE

EPPING

An exciting yet demanding role at Alfred McAlpine Homes East, an established and growing housebuilding company within the Homes Division of Alfred McAlpine Plc, one of the UK's major housebuilders.

Reporting directly to the Manager Director, you will be an important member of the management team to further develop the business.

Your responsibilities will cover all financial aspects from the management of a decentralised accounting function to the strategic planning of the business including the preparation of forecasts and budgets.

Possibly a graduate with professional qualification, you will be self motivated, a team player and highly computer literate.

The package will reflect the responsibility of the position and carries the benefits synonymous with a major company.

Reply in writing, with full CV, to
Steve Rosier, *Managing Director*
Alfred McAlpine Homes East Limited, Sealand House, Hemnall Street, Epping, Essex CM16 4LG

Alfred McAlpine Homes
RECOGNISED FOR QUALITY

ASSISTANT COMPANY SECRETARY

NCVQ

The National Council for Vocational Qualifications was set up by Government to establish and maintain a comprehensive system of vocational qualifications accessible to everyone competent to reach standards approved to meet modern employment needs.

RESPONSIBILITY to the Director of Finance and Administration will be for managing central administrative services including pensions, legal and contractual functions.

THE NEED is for demonstrable competence in the areas indicated backed by a relevant qualification.

Salary scale to about £40,000, Civil Service type pension and benefits. London base.

Write in confidence with CV to Richard Addis, Charity Appointments, 3 Spital Yard, London E1 6AQ.

Charity Appointments
A registered charity serving the voluntary sector.

TREASURY ACCOUNTANT

Join a market-leading team in a developing role

Northampton c.£27,000

Within the UK's second largest building society, the Treasury Department at Nationwide has a vital role to play in managing the liquidity and interest rate exposures of the group. This is a progressive Treasury which is continuously examining new dealing opportunities and strategies within a well developed policy framework. The department currently manages liquid assets, wholesala funding and derivatives across a broad range of instruments, currencies and markets.

You will be responsible for managing the daily controls over dealing, settlement and position risks, and for developing the accounting and management information systems within Treasury. You will also be responsible for regulatory reporting and budgeting for the department.

Within such a progressive environment, we are looking for a proactive individual who can lead and work with an enthusiastic team. You should be a professionally qualified accountant with at least two years' experience post qualification. Specific knowledga of financial markets will be an advantage.

In addition to first-class career opportunities, we will offer a competitive salary and benefits package which includes subsidised mortgage and relocation assistance where appropriate. Our clean air policy prohibits smoking on the premises.

For an application form please write to Jeremy Wicks, Human Resources Consultant, Nationwide Building Society, Kings Park Road, Moulton Park, Northampton NN3 6LL. Please respond by 6 June 1994.

Nationwide
THE 'BUILDING' SOCIETY.
Working for equality of opportunity nationwide

MERIDIAN

CENTRAL & EASTERN EUROPEAN EQUITY ANALYST

Our client, a major international bank, is looking for a senior Analyst to join their expanding equity division as Portfolio Manager for Eastern & Central European Equities.

The successful candidate will be degree educated, possibly with an MBA, and will be currently working at Assistant Vice President level. A thorough knowledge of Eastern European regions and emerging markets is a prerequisite; familiarity with Eastern European financial statement and central marketing accounting is also valuable.

A competitive remuneration package will be offered to the right individual.

Please forward your c.v. to Alex Sheffield.
Closing date for applications: 6th June 1994

25 Museum Street, London WC1A 1JT: Fax: 071 487 3018

RECRUITMENT CONSULTANTS

APPOINTMENTS WANTED

POLAND

English Chartered Accountant, bilingual English/Polish, seeks a senior finance/general management position, based in Warsaw. Background includes present position as Finance Director of a Polish bank.

Reply in confidence to Box A2037, Financial Times, One Southwark Bridge, London, SE1 9HL.

Internationally Famous Hospital

Director of Finance

An opportunity to shape the future

The Royal National Orthopaedic Hospital NHS Trust has a long standing reputation as one of the leading Orthopaedic Centres.

The development of innovative management and financial practices is no less impressive and is reflected in the strong financial performance of the Trust during the last year.

The challenge is to take the Trust into the next century and the opportunity exists for an experienced finance professional to play a key role in the shaping of our future.

As an Executive Member of the Board you will play a key role in developing and implementing the strategic plan.

A qualified accountant you will have a broad based management experience; possess communication and other interpersonal skills of the highest order, and be able to operate effectively as part of the management team.

In exchange for your commitment we offer:

* A salary of £45,000
* Expensed car
* Corporate bonus and other benefits associated with a major employer

For further details contact: Jeremy Morrison, Director of Human Resources, Royal National Orthopaedic Hospital, Brockley Hill, Stanmore, Middx. HA7 4LP.
Telephone 081-954 2300 ext 501 – answerphone out of office hours.

THE ROYAL NATIONAL ORTHOPAEDIC HOSPITAL NHS TRUST

Achieving Quality Through Equality

Our goal is to become the best financial services company in the world. We believe five corporate values – customer focus, respect for each other, team work, quality and professionalism – will help make Chase the provider of choice, the investment of choice and the employer of choice.

MANAGING SERVICE QUALITY

To £35K + banking benefits — Bournemouth

The Chase Manhattan Corporation, with over $100 billion in assets, is a global financial services company, accessing all the important world markets for clients as they raise capital, invest, move and manage their financial assets.

At our impressive European operations and administration centre in Bournemouth, the accounting needs of an increasing number of our European locations are met by a team of high calibre professionals. As a response to this growth, we are creating a European Financial Accounting Service Centre to provide a comprehensive and quality service more effectively to both existing and new users.

The position of Service Quality Manager represents a unique opportunity to participate in the creation of this 'centre of excellence'. Reporting directly to the Head of Financial Accounting, you will be responsible for ensuring the integrity, quality and effectiveness of the services provided by the function – reviewing and monitoring its activity and processes, recommending enhancements and implementing effective improvements – as well as offering practical help to senior management in extending the breadth and scope of its support.

Suitable candidates will probably be accountants with 5 years' post qualifying experience. A strong background in US/UK bank accounting will have been gained as either an auditor or in a dedicated accounting function. PC skills will be combined with creativity, interpersonal skills and ideally a second European language.

Success in this challenging, high profile position, will bring opportunities to progress within the finance function or other areas of the Bank.

In addition to the salary quoted, the attractive range of benefits includes car allowance, subsidised mortgage, non-contributory pension, private health insurance and performance related bonus. Relocation assistance will be provided where appropriate.

Send your CV to the HR Resourcing Manager, Chase Manhattan Bank N.A., Chaseside, Bournemouth, BH7 7DB. Please quote reference BN6/FT on both your application and envelope. Interviews will be held in Bournemouth and London. Closing date: 10 June 1994.

CHASE MANHATTAN.
PROFIT FROM THE EXPERIENCE.™

CHASE

TREASURY MANAGER

TONER GRAHAM
ACCOUNTANCY RECRUITMENT SPECIALISTS

M4 Corridor — c £33,000 + Bonus + Car

Our client is a major international corporation – a distinct leader in a number of key markets. The company's renown for quality and excellence extends well beyond its marketing and manufacturing capabilities into all areas of the business infrastructure – the finance function is no exception.

Reporting to the Deputy Group Treasurer, an opportunity has arisen for a high calibre professional to join the head office team. The role will provide specialist expertise in cash and funding management. Key responsibilities will include:

- *Managing bank relationships and progressing new funding sources*
- *Controlling international cashflows to optimise cash and borrowing positions, and minimise group interest costs*
- *Providing financial support for major investment proposals and new business ventures*
- *Ongoing assessment of capital market and derivative products*

There will be significant liaison, both with operating subsidiaries and headquarter's financial management and with external institutions.

Successful candidates will be graduates and have an accounting, MBA, or ACT qualification as well as a minimum of three years experience in an international treasury or banking operation. Excellent communication skills and a 'hands on' approach are essential requirements.

On offer is not just an attractive remuneration and benefits package but the opportunity to play a significant role in the future of this exciting and highly successful company, with prospects for advancement dependent upon merit, not length of service.

Interested applicants should write enclosing a comprehensive C.V., in the strictest confidence, quoting reference RFC95 to:

**Joe Graham CA at Toner Graham,
8 Imperial Square,
Cheltenham,
GL50 1QB.**

Chief Financial Officer

Moscow

To $100,000 Tax Efficient

Plus substantial benefits

The Company
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The Role
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FINANCIAL SELECTION SERVICES

RELOCATION IN THE UK

Friday May 27 1994

A new catalyst for change

Activity has started to pick up, but the motive now is usually restructuring, writes Vanessa Houlder

Relocation activity within the UK has started to pick up, after several quiet years. Bnt the moves now being made by companies are different in character from those which took place at the turn of the decade, when relocation activity reached an earlier peak.

"The theme has been retrenchment, rather than expansion," says Mr David Rees, a relocation specialist at accountants Ernst & Young.

Companies are no longer being driven out of their existing locations by high property costs and labour shortages, as they were in the late 1980s. Rather, the catalyst for many corporate relocations is the need to reorganise and rationalise businesses.

Restructuring is also important in determining where multinationals decide to locate. The creation of a single European market has allowed companies to seek economies of scale and rationalise the structure of businesses that were originally designed for more fragmented markets.

Instead of placing a national headquarters in each large European country, multinationals are establishing *one* European headquarters. Likewise, companies are tending to consolidate their European manufacturing operations into their most efficient or low-cost plants.

Examples of this trend includes the decision by Gillette of the US to cut excess European capacity by closing a razor-blade factory near Seville and transferring production to plants in west London and Berlin. In another example, CPC (UK), a subsidiary of the US food group, is moving production of its Knorr brand of soups and cubes from near Glasgow to more modern plants in France and Italy.

These upheavals within European industry have led to some acrimony between countries competing to retain and attract investment. Last year's decision by Hoover of the US to stop making vacuum cleaners at Dijon in France and move its operations to Scotland provoked charges that the UK was indulging in "social dumping" using lower wages and less favourable working conditions to lure the company away from France.

In recent years, the UK has attracted a disproportionate share of the EC's inward investment. In the last decade, the UK is calculated to have taken nearly 40 per cent of all non-EC investment made in Europe. After Belgium, the UK is home to a larger number of European headquarters of US companies than any other European country, according to Ernst & Young.

Direct investment in the UK in 1992 amounted to £9.2bn, a £800m increase on the previous year. But inward investment is running at markedly reduced levels compared with 1989 and 1990. The UK will have to fight increasingly hard if it is to increase or even maintain its share of inward investment coming into Europe.

Advantages of investing in the UK include a relatively cheap and flexible workforce, factors that are reinforced by the UK's opt-out from the EU's "social chapter". Cultural and language considerations also play a part in securing investment from the US and Japan.

But Britain cannot afford to be complacent. According to Ernst & Young's Mr Rees, potential relocators are often unimpressed by the UK's transport infrastructure and the skills of its workforce. Moreover, the perception that the UK is not "at the heart of Europe" worries some potential investors.

Competition from rival centres is becoming more intense. "The UK is facing greater competition both within Europe and globally," says Mr Elias van Herwaarden of Plant Location International, a subsidiary of Price Waterhouse. US investors' attention is shifting to south-east Asia, he says. At the same time, Ireland, Northern France, and parts of Belgium, the Netherlands and the former eastern Germany are all fighting harder to win mobile companies.

Even if the UK continues to attract a large number of projects coming into the EU, the scale of investment may be diminishing. Mr van Herwaarden notes that there is an increasing trend for US companies to embark on smaller projects, valued at less than $5m. "Companies are moving step by step. There is an increased emphasis on flexibility with respect to adapting to changing market needs and circumstances," he says.

Similarly, if there is a second wave of investment from Japan, it is likely to stem from supplier and sub-contractor activities rather than large-scale projects. The number of large Japanese deals has diminished, partly because so much investment was brought forward before the creation of the single European market as a result of fears of a potential "Fortress Europe".

Competition for investment has also increased within the UK. Last year's redrawing of the assisted areas map, when the government decided for the first time to give help to parts of London and the south and east coast has increased the pressure on long-standing assisted areas such as the north-east.

Another reason why it is harder for outlying parts of the country to attract investment is that some key factors driving companies out of London and the south-east, such as labour shortages and high property costs, have diminished in importance.

The gap between the cost of renting property in different parts of the country has narrowed. Whereas rents in the City of London have halved since 1990, those in, say, Manchester have hardly fallen. The 1995 rating revaluation, which will shift the rates burden from the south to the north, will further erode potential cost savings for companies moving out of London.

As a result, the incentive for companies to make long- distance moves has diminished. Changes to the tax treatment of relocation expenses have also tended to discourage such moves.

The cost of relocating increased substantially last year when the government introduced a £8,000 ceiling on taxable allowances on relocation expenses. The impact, however, was substantially lessened this April when the Inland Revenue decided that tax would not be charged when an employer buys an employee's existing home.

The prospect of cutting property costs is the single most important reason for relocations, according to a survey by Jones Lang Wootton of large companies that have moved out of London over the last decade.

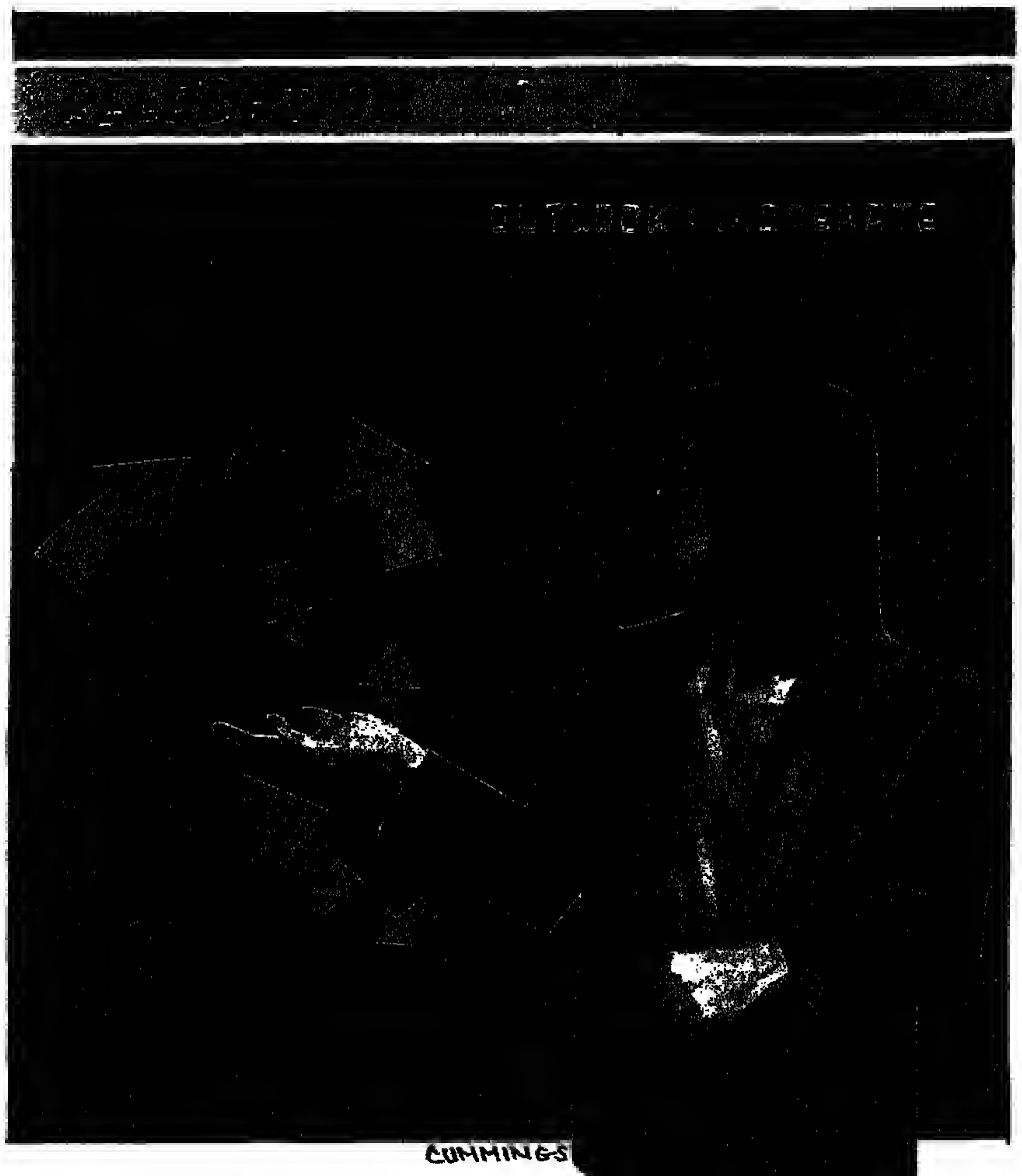
But increasingly, operational considerations, such as the desire to consolidate businesses, are becoming more important. The JLW survey found that operational considerations accounted for half of the large corporate moves out of London last year, compared with a third of moves between 1983 and 1992.

Large-scale corporate restructuring and rationalisation promise to be increasingly important catalysts for relocations over the next few years.

British Telecommunications, for example, is considering moving up to 10,000 jobs out of 76 London offices over the next three to five years to locations in and around the M25. As well as cutting property costs, the proposals would allow BT to reduce its employees' commuting times and to pioneer new forms of working based on advanced telecommunications.

Overall, the pace of UK relocation appears to be picking up. Last year, just eight companies moved more than 100 jobs out of central London. But this year, twice as many such moves are expected. A further 11 moves have already been planned for 1995 and 1996.

As the worldwide recession lifts, the number of multinational and domestic companies planning relocations is likely to increase. But competition from other European centres and the diminished attractions of moving long distances within the UK will add to the pressures as the regions try to attract new investment.



IN THIS TEN-PAGE SURVEY

Ian Hamilton Fazey on problems – and the agencies that solve them

Pitfalls for foreign investors

Some parts of the British government have made it as easy as they can for foreign companies to move into the UK – even to the extent of being ready to argue with those parts of the government which sometimes make it difficult.

The clash is of cultures: the Department of Trade and Industry and the Department of Employment want inward investment to improve the overseas trade balance, to create jobs and broaden Britain's economic and, particularly, manufacturing base. The Home Office, on the other hand, is rightly charged with enforcing tight immigration controls to prevent foreigners from taking jobs that could be done by European nationals.

Difficulties can therefore arise when an inward investor from, say, the US or south-east Asia wants to bring in more key workers than immigration officials think may be strictly necessary. About 18 months ago, growing tensions forced all parties to agree procedures to try to smooth problems.

The rules, however, are unpublished because each case is judged on its merits. However, they are pragmatic and decisions are at least now made quickly, where previously people and companies were sometimes kept waiting for months, much to the frustration of inward investment agencies and promoters.

Basically, criteria for the start-up phase of an inward investment – when a high proportion of the workforce may need to be brought in from abroad to get the operation going and train their locally-recruited successors – are relaxed. Short-term training or liaison posts also get sympathetic treatment, even if there is long-term rotation of foreign personnel in them.

However, the proportion of jobs to be held eventually by foreign nationals on a permanent basis is likely to involve more negotiation, just as it would be, say, for European companies operating in the US.

The rest of the process of inward investment is straightforward – and designed to make it as easy as possible for medium-sized or smaller companies which do not have the in-house expertise, or ready access to consultancy services, of bigger companies.

The Foreign Office and Department of Trade and Industry operate a global network of commercial staff attached to British embassies or, in the US or Japan, in specially set-up trade advice offices.

Some bodies, such as the Welsh Development Agency or some of the English regional development bodies, also have promotional offices of their own in prime target markets such as North America and south-east Asia.

In addition, they – and the economic development units of individual counties, cities and towns – often take stands at big fairs and exhibitions.

However, any company wanting to know where to begin a systematic review of UK inward investment options is best advised to start with the commercial section of the British embassy, especially if language is a problem. This will usually trigger a follow-up visit by a UK consular officer familiar with the processes and options.

He or she will prepare a brief for the Invest in Britain Bureau, part of the Department of Trade and Industry. From there, the inquiry will be fed into the UK's internal network of regional agencies, development corporations and local authority economic development officers.

Britain has attracted a lot of inward investment in the last 10 years and those involved have become good at providing the right sort of advice. They are also salespeople, so all claims should be treated with due caution. But because there is also competition between

Continued on Page 10

Philip Coggan looks at how Britain compares with the rest of Europe

Population grows grey

The UK population is growing. And, like that of much of western Europe, it is also greying.

But while the increase in the pensioner population may cause problems in the middle of the 21st century, there is some good news in the shorter term.

The number of people of working age (defined as men aged 16-64, and women aged 16-59) is still increasing, according to the Office of Population Censuses and Surveys. From around 35.5m in 1992, the working population is expected to increase to around 37.4m by 2011, while the overall UK population grows from just under 58m to 61.25m over the same period.

The birth rate in the UK has edged up in recent years after the lows of the late 1970s and early 1980s; live births per 1,000 people were 13.5 in 1992, compared with an average of 12.9 in 1981-85.

The UK birth rate has edged up in recent years but the fertility rate is still below the replacement level

Nevertheless, the fertility rate is still below the replacement level of 2.1. Children were 25 per cent of the population in 1971, but are expected to be only 18 per cent in 2031.

It is only a low death rate, as life expectancy marches ever upwards, that keeps the population growing. (Immigration plays a small part. The UK had a net inflow of 34,000 people in 1992.) The average male born in 1990 had a life expectancy of 73 years, compared with 67.9 years in 1961; female life expectancy grew from 73.8 to 78.5 years over the same period.

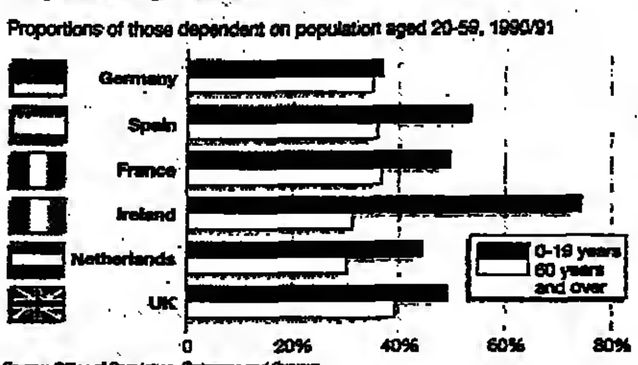
The UK's population profile is not too bad in European terms. In terms of maintaining a future workforce, the key is the number of those aged 0-19 as a proportion of those people of working age. Here the champion is Ireland, which has more than one child for every person of working age, while the UK ranks seventh out of 17 countries surveyed by the OPCS in 1990-91.

Bottom of the league is Germany, which has only one child for every three people of working age.

The number of 16-year-olds joining the UK workforce has been steadily declining from a peak of 936,000 in 1981 and may have reached a trough of 628,000 in 1993. It is now expected to rise gently during the rest of the century.

Dependency ratios

Proportions of those dependent on population aged 20-59, 1990/91



Source: Office of Population, Censuses and Surveys

The UK does not rank quite so well on the greying factor. There were 39 people aged over 60 for every 100 of working age in 1990-91, the third highest total of the European nations studied. (Sweden was the greyest with 43 people over 60 for every 100 of working age.)

According to the OPCS, there were 8.93m people of pensionable age in England and Wales in 1981, 18 per cent of the total; by 1991, there were 9.45m, 18.5 per cent of the total. And within the ranks of the pensioners, the number of people aged over 75 increased from 2.93m (5.9 per cent of the total population) in 1981 to 3.62m (7.1 per cent) in 1991.

The growing numbers of the elderly will undoubtedly create social costs (particularly in terms of health and pensions provision) which will probably be reflected in higher taxes for the working population.

However, greying is a European-wide problem. About a fifth of the European Union's 320m citizens are aged over 60 (with 20m aged over 74). By 2010, the proportion of over-60s is projected to grow to 23 per cent and to 25 per cent by 2040. The only countries expected to have a pensioner population of less than 20 per cent in 2010 are Portugal and Ireland.

Steps may be taken to alleviate potential problems by increasing the pensionable age. In the UK, the plan is for the retirement age for women to be increased to 65, to match that of men. This change will be phased in between the years 2010 and 2020.

UK population (thousands)

Mid-year figures	UK	England	Wales	Scotland	N Ireland
1961*	52,807	43,561	2,635	5,184	1,427
1971*	55,928	46,412	2,740	5,236	1,540
1976*	56,216	46,660	2,799	5,233	1,524
1981*	56,352	46,821	2,813	5,180	1,538
1986*	56,850	47,342	2,820	5,121	1,567
1987*	57,008	47,488	2,833	5,112	1,575
1988*	57,159	47,633	2,854	5,094	1,578
1989*	57,352	47,809	2,869	5,091	1,583
1990*	57,561	47,992	2,878	5,102	1,589
1991*	57,801	48,208	2,891	5,107	1,594
1992*	57,998	48,378	2,899	5,111	1,610
of which, percentages					
0-4	*6.7*	*6.7*	*6.6*	*6.4*	*8.0*
5-15	*13.7*	*13.5*	*14.0*	*13.7*	*17.7*
16-44	*42.0*	*42.0*	*39.6*	*42.6*	*42.1*
45-64M/59F	*19.3*	*19.3*	*19.8*	*19.5*	*17.2*
65M/60F-74	*11.4*	*11.3*	*12.6*	*11.5*	*9.8*
75 and over	*7.0*	*7.0*	*7.4*	*6.4*	*5.2*
Projections (based on mid-1992 population estimates)					
1996	58,784	49,067	2,930	5,146	1,642
2001	59,800	50,023	2,966	5,143	1,667
2006	60,610	50,814	2,993	5,115	1,687
2111	61,257	51,458	3,013	5,077	1,709
of which, percentages					
0-4	*5.7*	*5.8*	*5.6*	*5.5*	*6.7*
5-15	*13.5*	*13.5*	*12.9*	*13.6*	*15.3*
16-44	*37.4*	*37.5*	*35.9*	*36.2*	*39.7*
45-64M/59F	*23.6*	*23.6*	*23.2*	*24.5*	*21.2*
65M/60F-74	*12.0*	*11.9*	*13.4*	*12.4*	*10.7*
75 and over	*7.8*	*7.8*	*9.0*	*7.9*	*6.4*

*=Estimates. Source: Office of Population Censuses and Surveys

The effect, according to the OPCS, is that the number of pensioners in the UK will peak at 15.2m in 2038, compared with a total of 16.8m had the change not occurred.

Within England, population rose in every region bar two between 1981 and 1991. The exceptions were the north and the north-west, which experienced a fall of 0.1 per cent per year. East Anglia and the south-west saw the fastest growth rates, at 0.9 and 0.7 per cent a year respectively.

In 1992, the English region with the highest proportion of people of working age was the south-east with 61.2 per cent (64.1 per cent in greater London itself). The region with the lowest proportion was the south-west, with 59.2 per cent.

In terms of the future, the region with the highest proportion of those under 16 is the north-west, with 21.2 per cent, while the south-west is the lowest with 19.2 per cent.

Looking at the rest of the UK, Northern Ireland has a higher proportion of children than any English region, at 25.7 per cent, while Scotland beats all the English regions in terms of the proportion of people of working age, at 62 per cent.

OPCS projections show that, in 2011, the south-east region will still have the lowest proportion of pensioners and the highest proportion of those of working age in England; the south-west will still be at the opposite end of the scale on both counts. The south-east will also have moved to top the scale in terms of the proportion of children.

However, a study of migration flows shows that people have been leaving the south-east for the rest of England. In the five years between 1988 and 1992, the south-east experienced a net migration outflow to the rest of the UK of 206,000. In fact, all of that and more was a loss from greater London, which had an outflow of 250,000.

The region which saw the biggest inflow was the south-west, which gained 119,000. The east midlands and East Anglia both gained, while the west midlands and the north-west were net losers.

Within the UK as a whole, there has been a small migration from England to the other three countries. And there has been a steady shift away from cities towards more rural areas. Perhaps as the elderly retreat from the towns to retire to "rural bliss", this trend will continue.

How the industrial relations scene has changed

Workplaces open up to innovation

Britain's industrial relations system – once notorious in the outside world for its wildcat strikes, obstacles to change and low productivity – is seen as an increasingly important factor in the country's attractiveness for inward investors.

In the words of a recent study of the UK manufacturing sector's competitiveness produced by the House of Commons trade and industry committee, it is "now widely regarded as a competitive strength".

Working days lost through strikes last year were the lowest since official records of industrial conflicts began in 1891 – following on 1991 and 1992 which were themselves remarkably trouble-free. But that alone does not explain the new mood of optimism about labour performance. More important has been the accumulation of evidence that suggests attitudes towards workplace innovation have been transformed.

This has led to the widespread removal across much of industry of the old "them" and "us" divisions of the shopfloor, with the outlawing of the closed shop, the dismantling of demarcation lines between jobs and the removal of restrictions on recruitment. An increasing number of companies are replacing adversarial attitudes with a new spirit of partnership in the workplace.

Of course, the techniques of Human Resource Management are still hardly the norm in British industry. "The empowerment of employees has taken root in only a minority of UK manufacturing firms," admitted the trade and industry committee report.

But the recent experience of a wide range of foreign companies operating in Britain suggests workplace change based on consent and co-operation is by no means uncommon, either. In recent months a number of them – Ford, Nissan, Toyota, Sony – have been parading the achievements of their UK plants before MPs in a number of separate inquiries.

Unit labour costs in manufacturing (1991)

	Labour costs	Productivity	Unit labour costs
UK	100	100	100
US	115	175	66
Japan	98	150	65
Germany	124	140	89
France	114	139	82
Italy	128	121	106

Source: Trades Union Congress

Dr Paul Marginson, of the School of Industrial and Business Studies at Warwick University, argues multinational companies are attracted to Britain nowadays because they face "fewer statutory constraints" in the way they handle labour than in mainland European countries. As a result, there is "greater scope" for them to introduce "innovatory practices".

He also points to the attractiveness of the UK's low labour costs for some inward investors. This is not so much a case of low pay. Hourly earnings in the UK remain substantially lower than in Germany but are higher than in France and Japan.

The big difference lies in the so-called "on-costs" covering social welfare, training, holidays and welfare benefits which are met in the UK mainly by the state or the employee.

Manufacturing employers' labour costs

Production workers 1992: US $ per hour average

	Pay for time worked	Holiday pay etc	Non-pay costs	Total labour costs
Japan	9.44	4.61	2.11	16.16
US	11.45	1.07	3.65	16.17
Germany	14.47	5.55	5.92	25.94
France	9.23	2.84	4.81	16.88
UK	10.56	1.70	2.43	14.69

Source: US Bureau of Labour Statistics, April 1993

Companies operating in Britain have a much lower non-wage labour cost burden to carry than those in any other European country except Ireland. This provides the UK with a distinct cost advantage compared with its main trading competitors.

The latest comparative labour cost statistics (taking into account exchange rate differences) compiled by the US Bureau of Labour Statistics indicate that the UK manufacturing employers' labour costs in 1992 averaged $14.69 an hour compared with $16.16 an hour in Japan, $16.17 an hour in the US and $25.94 an hour in Germany.

Many of the public agencies are keen to point to the low cost of labour as an attraction for inward investors. As Locate in Scotland declared: "Wages and salaries in Scotland are lower than the UK average. Indeed, Scottish hourly scales are among the lowest in Europe, especially in manufacturing.

"Total on-costs are lower as a percentage of salary in Scotland than in other countries, with the cost of both company and statutory costs adding around 25 per cent (only 7.1 per cent of this being due to statutory requirements) to basic salary. This compares to over 40 per cent in some other countries."

The promotional effort also proclaims the fact that Scotland "has one of the most progressive and flexible employment regimes in Europe".

The document points out: "Part-time and shift working is common and there are no restrictions on the use of temporary labour. These conditions are considerably different from the more regulated environments in many other EC countries."

Promotional material for inward investors into Wales is similar in tone. "Wales has benefited from a combination of lower relative wage costs and improved productivity during the 1980s," says the Welsh Development Agency.

It asserts that unit labour costs are nearly 10 per cent lower than the UK average, "making Wales by far the most cost-competitive region in the UK."

On a different tack, the Northern Development Company emphasises the positive role of trade unions to companies in the region as "social partners".

A recent study of 38 new inward investors into the region pointed to the "progressive" character of organised labour in pursuing a "philosophy appropriate to company needs" while 79 per cent of foreign companies surveyed in 1992 said industrial relations in their northern plants were "comparable to or much better than their plants elsewhere".

In fact, low labour costs are by no means a positive factor for many inward investors. As the Commons committee pointed out, these only give Britain "an important short-term competitive advantage, the breathing space to increase the UK's competitiveness in other areas".

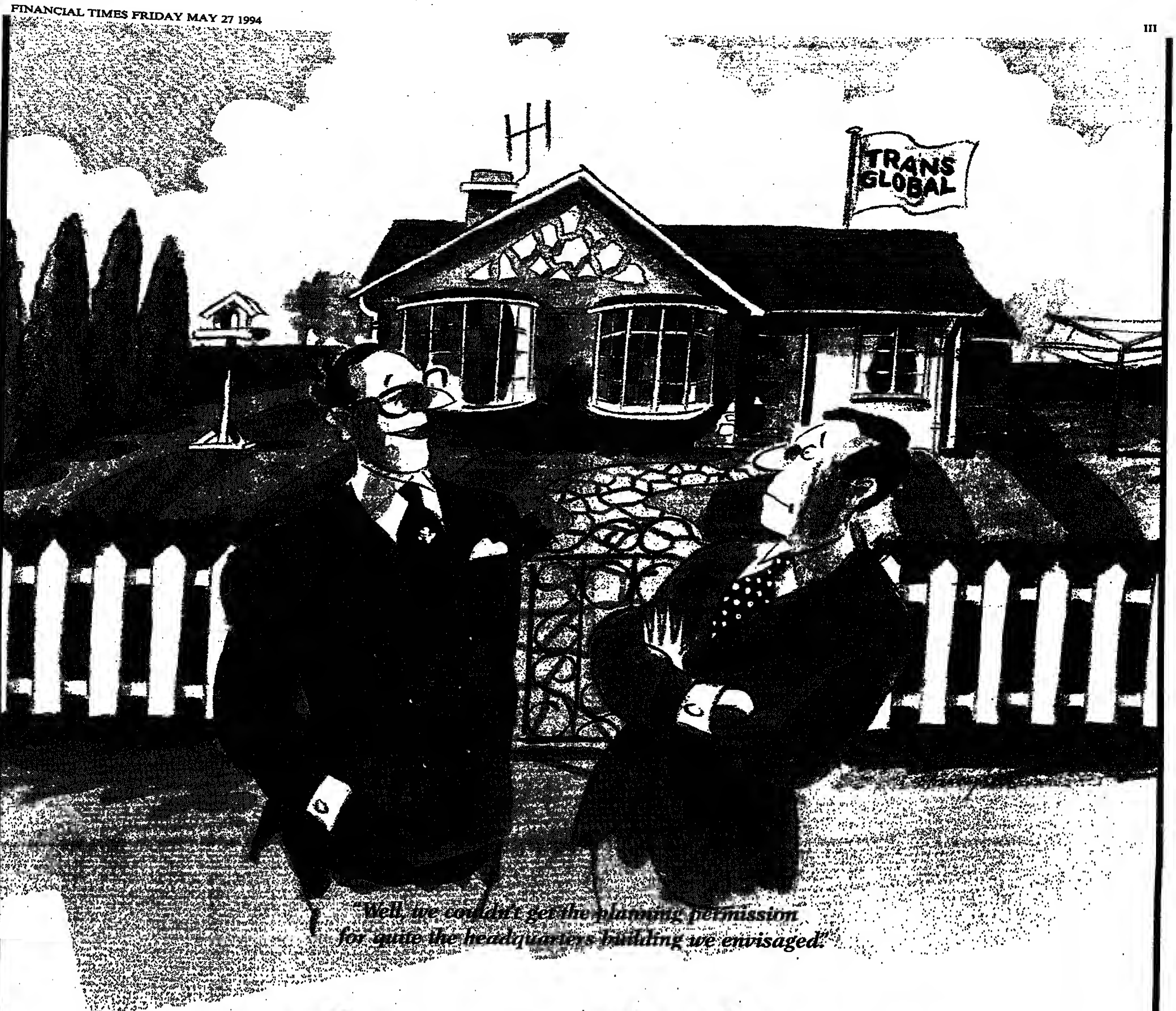
It added: "The efficient use of labour and the raising of its value through better education and training ultimately matter far more than low labour costs."

Indeed, lower productivity in the UK means unit labour costs remain higher than in France, Germany and Japan.

This suggests Britain's competitive advantage stems from its low wage, labour intensive, low skill base. Moreover, the employment element in total industrial costs is quite small, commonly 25 per cent in manufacturing.

Robert Taylor

Office workers at lunch on Canary Wharf, London — Colin Beere


TRANS GLOBAL
"Well, we couldn't get the planning permission for quite the headquarters building we envisaged."

Vanessa Houlder on the recovery of the property market in different parts of the country

Regional gap in cost of renting gets narrower

The UK property market has begun its recovery, after the deepest downturn since the war. But the legacy of the property recession will have a lasting impact on companies which are considering a relocation.

The fall in property costs over the past three years has relieved some companies of pressure to uproot from their existing locations. Moreover, the incentive for a company to move long distances has diminished, as the gap between the cost of renting property in different parts of the country has narrowed.

The property recession hit London far more severely than most regional centres, helping to even out some of the formerly sharp variations in property costs and supply around the country.

For example, in the City of London, which was particularly badly affected by the downturn, top quality property can be rented for less than half the £70 per sq ft it fetched at the peak of the market in 1988. In Manchester, by contrast, top rents hava scarcely fallen during the recession from a peak of £21 per sq ft.

Many tenants are locked into leases which require them to pay far more than the market rate

Another consequence of the property downturn which has reduced the flow of relocations is that many companies are unable to move premises because of the difficulty of disposing of existing leases. Many tenants are locked into leases which require them to pay far more than the market rate, creating difficulties in assigning leases to another tenant.

Nonetheless, companies which have the freedom to move have the opportunity of securing property at rents close to the bottom of the market. Office rents have fallen by about 40 per cent from their peak and industrial rents are down by about 20 per cent, according to Hillier Parker, chartered surveyors.

In most parts of the country, asking rents are static or falling. But gradually, as tenant demand increases, the incentives on offer from landlords, such as rent-free periods and cash contributions for fitting out costs, are declining. Most tenants are still able to negotiate relatively flexible leases, although as supply and demand returns to balance, landlords will be anxious to return to 25-year leases, with upwards-only rent reviews at five-year intervals, which are traditional in the UK market.

Signs are emerging that pockets of the London market may recover more rapidly than other parts of the country. The vacancy rate for Central London office property – of which 23.5m sq ft is available – has fallen from a peak of 18 per cent in mid-1992 to 12 per cent, according to DTZ Debenham Thorpe, property advisers.

Brokers at Paribas Capital Markets predict that rents for the best modern office properties in London could rise by more than 30 per cent this year, although poorly-located and older buildings will continue to decline in value.

Outside the south-east, the main office markets have been relatively stable, as a result of fewer developments during the 1980s and a lower impact of recession on office employment levels. But with a smaller pool of potential demand, the provincial cities may experience less upwards pressure on rents than in London.

The availability of property, as well as its cost, is a crucial factor in determining a relocation decision. After several years when development activity has been at a low ebb, there is a shortage of modern offices in several cities. According to Chesterton, the property advisers, "regional centres offer little to potential relocators in terms of readily available office space. Major requirements exceed supply in many regional centres."

Birmingham, for instance, has some of the lowest levels of available space of any large UK office centres. At the end of 1993, there was about 789,000 sq ft of empty space – available at a cost of up to £20 per sq ft – out of a total market of 16m sq ft.

Developers are gradually getting back into the market. In a recent report, Chesterton estimated that just 2.7m sq ft of speculative development was under way in London and 3.2m sq ft in regional centres. Although more developments are now starting, activity is likely to remain at a low ebb while tenant demand is uncertain and there is a shortage of bank finance for speculative schemes.

In the industrial sector, signs of increased tenant demand are slowly beginning to appear. In January, the availability of empty premises began to fall for the first time since 1989.

According to King Sturge, chartered surveyors, a total of 182m sq ft of industrial property is available to let. Demand is concentrated on new buildings, which account for just 9 per cent of the total available space. Tenant demand has been strongest for large distribution warehouses adjacent to motorways.

The availability of industrial space is at its greatest in the south-east, Wales and East Anglia. But in the West Midlands and the south-west, vacancy rates are tighter and agents believe there could be some rent increases as soon as the first quarter of next year.

Another factor affecting relocation decisions is the impact of the revaluation of the Uniform Business Rate in 1995, which is based on rental values in April 1993.

The revaluation is likely to shift the rates burden from the south to the north. In London and the south-east, where rents fell sharply between 1988 and 1993, reductions in rateable value could be between 40 and 50 per cent, according to James Capel, the broker. In regional centres outside London, where rents peaked later and subsequently underwent more modest falls, the rates burden is set to increase.

Herring Baker Harris, a firm of surveyors, has estimated that the proportion of the business rates bill shouldered by industrial occupiers will rise from 18 per cent to 22 per cent, while that borne by retailers will remain broadly stable and that from offices may decline from 29 per cent to 27 per cent.

The shift in the rates burden, together with differential falls in rental costs, has tended to even out property costs across the conntry. As a result, companies needing to relocate their premises are tending to move shorter distances.

Jones Lang Wootton, chartered surveyors, believes that about two-thirds of companies moving out of London over the next three years will stay in the south-east region.

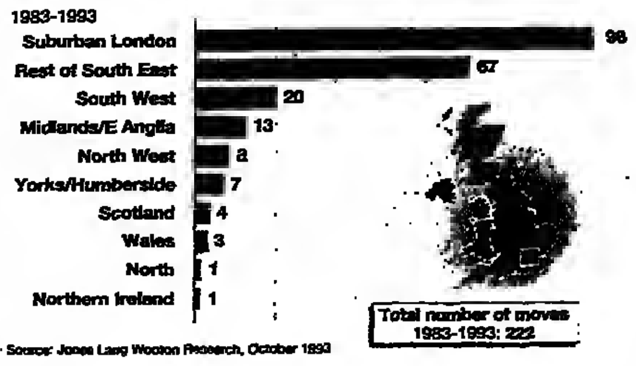
The cost of property remains a key factor influencing a company's decision to relocate. Jones Lang Wootton reports that between 1983 and 1992, the chance to make property cost savings was the main reason for moving in 55 per cent of cases.

In 1993, however, four out of the eight large companies moving out of London London cited "operational and organisation issues" as the main factor influencing their decision. As companies emerge from recession, the drive to improve their efficiency is encouraging them to consolidate and restructure their operations.

The prospect of substantial property savings has become a less important factor in generating long distance property moves than it was in the late 1980s.

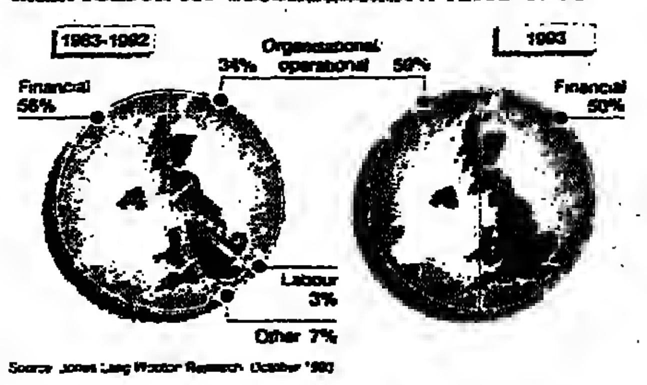
Nonetheless, the opportunity to obtain property at prices close to the bottom of the market could secure an important advantage for companies that are willing and able to move.

Destination of large moves from central London



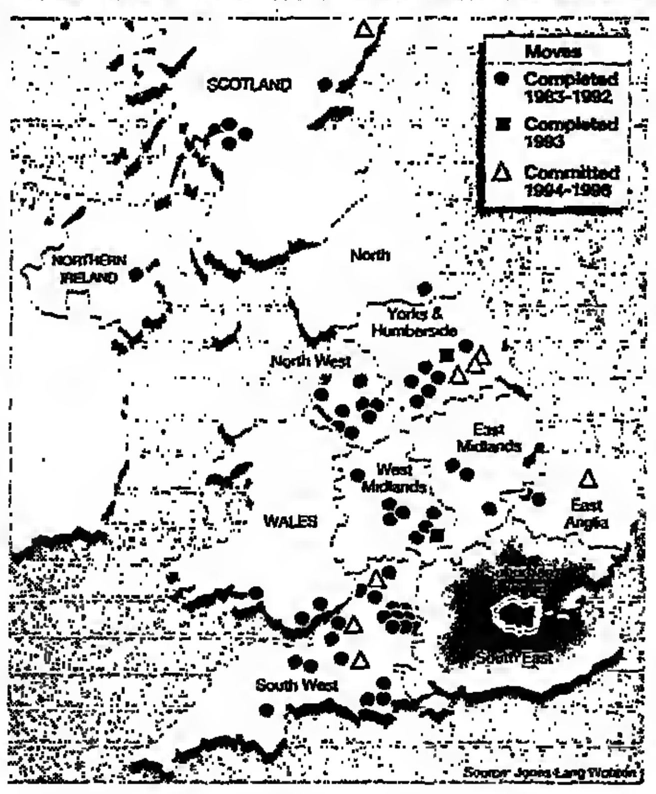
Source: Jones Lang Wootton Research, October 1993

Main reason for decentralisation since 1983



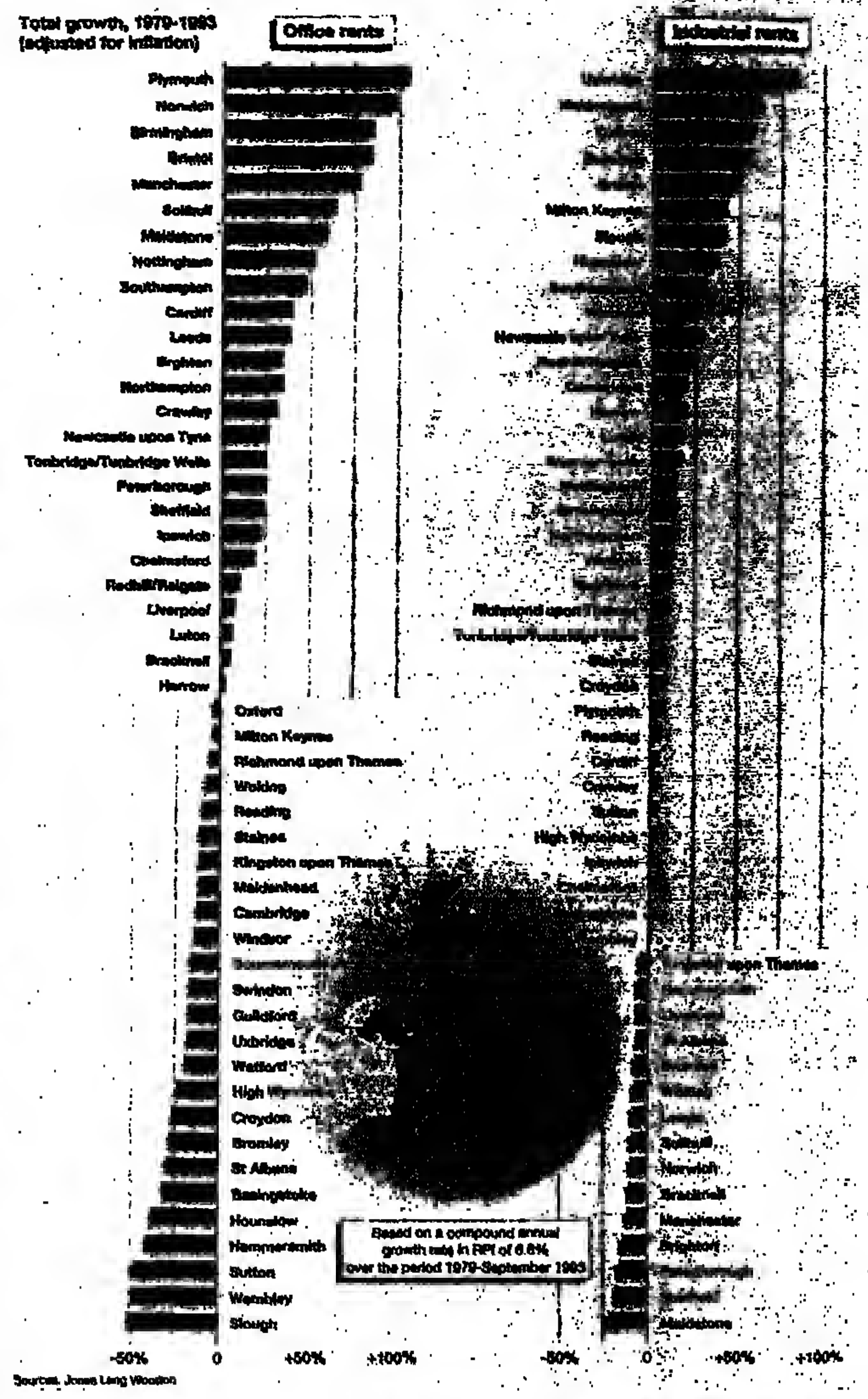
Source: Jones Lang Wootton Research, October 1993

Destination of offices from central London since 1983



Source: Jones Lang Wootton

Rental performance



Source: Jones Lang Wootton

Philip Coggan assesses the prospects for Britain's economy

Crumbs of comfort for pessimists

Long experience of the UK economy has made observers deeply cynical. Even after the so-called "Thatcher miracle", the long 1980s boom ended as so many had done before it, with inflation rising sharply and the current account slumping into deficit.

So it is not surprising that many fear the current UK recovery will eventually run into the same problems.

Throughout 1993, the pessimists were repeatedly disappointed. Growth was stronger and inflation lower than they had expected. Indeed, interest rates and inflation were at their lowest levels for a generation.

Such conditions were all the more remarkable when one considers the policy vacuum which followed sterling's ejection from the Exchange Rate Mechanism in September 1992. Many commentators thought that inflation was bound to revive 12-18 months later, as it had done after previous devaluations.

They evidently underestimated the deflationary pressures which were present in the world and UK economies. In early 1994, the oil price dropped back, in real terms, to the levels reached before the first oil shock in 1973.

The debt hangover from the late 1980s boom has made both companies and consumers nervous ebout borrowing: broad money supply growth has been sluggish in the UK. Central banks remain vigilant against inflation and have kept real interest rates et high levels, despite deep recessions.

Nevertheless, all the above factors may merely be cyclical, rather than structural.

One does not have to look too hard at the economic statistics to find evidence that the UK's old problems may return: e pick-up in the rate of growth of average earnings, e high budget deficit, e trade account that stayed in deficit throughout the recession and is now widening, an excess of private consumption and a lack of investment.

An equally forthright school of thought believes that the current recovery will be too feeble to bring much prosperity to the average Briton, or to make much of e dent in the unemployment totals. The tax increases introduced by Chancellors Norman Lamont and Kenneth Clarke, which will raise between £15bn and £17bn over the next three fiscal years, are expected to prove a drag on economic growth.

Often, these debates about the prospects for the UK economy become bogged down in sterile arguments about the size of the "output gap". According to this theory, there is a trend rate of output growth. If the economy is growing above the trendline, capacity constraints are likely to cause inflation, as they did in the late 1980s. If the economy is growing below the trendline, there is a "gap", and the country can enjoy non-inflationary growth.

The problem is that there is no consensus on the trend rate of growth, nor on the size of the output gap. Pessimists, like Mr Bill Martin of UBS, think that the gap is small and that "the economy is structurally deficient, having neither ample spare capacity nor an adequate internationally-trading sector." But the International Monetary Fund estimates an output gap of 4-5 per cent which, if correct, would allow the UK many years of non-inflationary GDP growth at, say, 3 per cent.

The old problems may return: a pick-up in the earnings growth rate, a budget deficit, too much private consumption and a lack of investment

International investors might prefer to look back at the UK's long infletionary history and reflect that, when push came to shove, the monetary authorities have always gone for the easy option of devaluation and inflation.

Economic policy was perceived to be in ruins after sterling's departure from the ERM. Piece by piece, the authorities have put together e monetary framework designed both to gain credibility with the financial markets and to allow the UK economy to recover. The Bank of England now has a much more prominent role. It publishes a quarterly inflation report and has the responsibility for the timing of interest rate moves.

The theory is that "political" influences on intsrest rate moves should be avoided, although the chancellor still has the final decision on whether to change rates.

When the minutes of the monthly meetings between the chancellor and the governor of the Bank of England were first published in April, they duly showed that the former was much more keen on cutting rates than the latter. Publication of the minutes may give the governor more power, since if the chancellor were perceived to be recklessly ignoring his edvice, that information would soon be common knowledge. But the real test may come when it becomes public knowledge that a chancellor has overruled the governor's desire for an increase in interest rates to combat inflation.

Financial markets do not yet seem ready to accept the anti-inflationary credentials of the new system. There is certainly a perception that the Bank is much more keen than the chancellor on getting inflation down to the lower half of the 1-4 per cent target range.

The other traditional British problem, the balance of payments deficit, is a further source of debate. The deficit appears to be deteriorating; on the current account, from £1.8bn in the third quarter of 1993 to £2.6bn in the fourth quarter; and on visible trade, from £1.77bn in 1993's fourth quarter to £2.12bn in the first quarter of 1994.

The official statistics also appear to show that British exporters used the devaluation to raise prices, rather than to increase their market share. Thus, the trend in trade is much worse in volume, than in value, terms.

However, doubt is cast on these figures by the Confederation of British Industry's survey, which appears to show that exporters have been cutting prices. And the switch to the Intrastat system of collecting statistics (based on VAT receipts, rather than customs returns) for trade with the European Union has led some to believe that the new figures are understating imports.

Doubts about the quality of the statistics make it even more difficult than usual to be definitive ebout the economy's prospects. But for a government seeking re-election in 1996 or 1997, neither of the two most likely scenarios have much appeal.

The first is that the economy will accelerate and run into balance of payments and inflationary constraints, causing the authorities to slam on the monetary brakes.

The other is thet growth will continue et a modest, non-inflationary pace but without creating the "feel good" factor of rising prosperity and low unemployment thet makes voters smile on governments.

■ SKILL LEVELS

Long haul to raise standards

Accurate comparisons between skill levels in the UK and its main competitors such as France, Germany and Japan are difficult to make.

Indeed, they may not always be e fair measure of workforce skills. In Japan, for example, training is much less likely than in Europe to lead to e qualification.

Nevertheless, there is common agreement that the UK has a skills problem. And, despite the recession and large-scale unemployment, severe skills shortages are forecast in a number of occupations, including high-tech industries, unless the problem is solved.

The Netional Institute of Economic and Social Research, the London-based organisation, has estimated that in 1988-89 the proportion of the workforce with higher educational qualifications was roughly comparable to thet in Germany, whereas the proportion with an intermediate level qualification, that is at craft or supervisory level, was far lower than in France or Germany.

It is a problem that many in the UK regard as the central difficulty affecting UK manufacturing. Indeed, Mr Michael Heseltine, trade and industry secretary, who this week published a white paper on competitiveness, has said he considers training and education as the second most important factor in competitiveness after the management of the economy.

A recent report, from a Commons select committee for trade and industry, said: "Given that it is becoming ever easier to transfer capital and technology around the world, the skills of the workforce will increasingly be the determining factor in the competitiveness of different countries."

So what is the UK government and industry itself doing about the situation? A number of initiatives, which may bear fruit over the next decade, have been put in place.

One of the most significant, albeit controversial, has been the development of a coherent framework of new national vocational qualifications which are based on an individual's ability to do a job.

Percentage of the workforce with vocational qualifications

	Britain 1989	France 1988	Germany 1988
University degrees	11	7	11
Intermediate vocational qualifications	25	40	63
Of which: technician	7	7	7
craft	18	33	56
No vocational qualifications	64	53	26

Source: Commons Trade and Industry Committee report, April 1994

Called National Vocational Qualifications (NVQs) they start at level one, which is fairly basic, progressing through craft level qualifications to level five, which is a managerial one.

The qualifications themselves have been attacked for various reasons. Nevertheless, they are a basis upon which refinements can be made, according to their supporters, which include the Confederation of British Industry. Indeed, national targets for improved attainment of qualifications among the workforce and young people were drawn up by the CBI, and endorsed by the government.

There are several targets. One of the most important seeks to tackle the underlying problem of poor standards achieved by young people. The target is that by the year 2000, 50 per cent of young people should reach NVQ level 3, which is a craft level qualification, or its academic equivalent of two "A" levels.

Attainment of the targets may not, however, be sufficient to create a workforce that can compete. Indeed, the National Advisory Council for Education and Training Targets, an employer-led body which is monitoring the targets, has warned that some targets may have to be higher if the UK is to match the attainment levels of its competitors' workforces.

A second important development by the government has been the establishment of 82 employer-led training and enterprise councils (Tecs) in England and Wales, and 14 local enterprise companies (Lecs) in Scotland.

The government's intention is the private sector, from which these bodies' non-executive boards are mainly drawn, will bring a new dynamism to the drive to improve skills in the UK as well as foster economic regeneration in their local areas.

Tecs and Lecs have been in existence for a little over three years and there is growing evidence that they are generally improving the ettainment of qualifications among young people and the long-term unemployed. They are paid nearly £2bn a year by the government to administer training schemes.

However, there is no measurement yet of whether Tecs have made any impect on improving the training of existing workers, this being a key group as 80 per cent of the workforce of the year 2000 is already in work.

The problem is not simple. According to a recent survey by Price Waterhouse, the management consultancy, the expenditure on training in the UK as a percentage of pay bills is reasonably in line with elsewhere in Europe. However, it is the UK's relative failure in basic education, according to the select committee, that makes employers' roles more difficult and expensive.

The government is seeking to address the latter problem, with the introduction of new vocational qualifications into schools, so as to cater for those who are not academically inclined. These reforms will take some time to introduce.

At the same time Tecs, in partnership with other bodies such as local authorities, are introducing a wide variety of strategies in their local areas to assist both existing employers and inward investors. These include initiatives such as Investors in People, an assessment based on best management practice which helps companies improve their in-house training, as well as customised training.

Tyneside Tec, in the north-east of England, working in partnership with the government's Employment Service and South Tyneside College, recently provided customised training for new employees being recruited by Onwa, a subsidiary of e Hong Kong television manufacturing company, which has opened a plant in the region.

More than 250 people – some 190 of whom were unemployed – have been taken on by the new inward investor. Tec representatives visited other plants owned by Onwa. "We observed the range of occupations and the culture within the company," says Mrs Jean Thomas, business development manager at Tyneside Tec.

By paying careful attention to the needs of their constituents, the Tecs hope they can "add value" in their localities. Their efforts, along with those of the government, will, however, be e long haul.

Lisa Wood

Andrew Adonis looks at an extremely competitive telecoms market

The showcase of Europe

Britain is Europe's telecommunications showcase. Its government has pushed liberalisation and privatisation farther and faster than anywhere else on the continent.

Not just in law or theory. In practice, the UK telecoms market is more competitive than any other in the EU, or arguably in the world. More than 40 operators hold government telecoms licences, and et least a dozen are currently operating services in all or part of the UK.

At the national level, BT faces stiff competition from Mercury, a subsidiary of Cable & Wireless, an experienced international telecoms operator. Mercury offers a nationwide service – including ISDN – to the business and residential markets.

Launched a decade ago at the privatisation of British Telecommunications – then the monopoly operator – Mercury has won 11 per cent of the national market. Most of its custom comes from the business sector, especially in the City of London, where it has about two-thirds of outgoing long-distance traffic secured through cheaper tariff packages than those offered by BT.

A recent survey by Analysys, a UK consultancy, shows the UK to be cheaper than France, Germany and Italy for telecoms for all users except residential customers and some one-line businesses, where France comes out better.

The City is the focus of the most intense competition in the UK. Apart from BT and Mercury, three other operators are competing for business with dedicated networks – US operators MFS and Colt, and Videotron, a Canadian operator which also has licences to provide combined cable television and telephone services elsewhere in London.

A third operator with a dedicated long-distance network – and facilities for direct connections to large City institutions – is also about to join the fray. Energis, a subsidiary of the National Grid, is about to launch e network erected on the UK's long-distance electricity pylons. It is likely to engage in e price war with BT and Mercury – putting Mercury on the defensive for the first time.

All of which is good news for business. As is the competition in urban areas across Britain between BT and the cable companies – mostly US-owned – building combined television and telephone networks. Over the next five years the cable companies are investing £6bn in new networks and already boast nearly 400,000 lines – 40,000 of them business lines.

The cable companies claim that their ability to harness three revenue streams – telephony, television and the new world of inter-active "multimedia" services – from one network will enable them to slash the cost of telecommunications. If so, Britain will enjoy the fruits before most of Europe, where cable networks are either undeveloped or utilised exclusively for television.

However, for most telecoms users the benefits of competition and privatisation are measured in better service from BT itself. At privatisation BT had an unenviable reputation for inefficiency. Spurred on by competition, the company has made itself responsive and user-friendly to a degree

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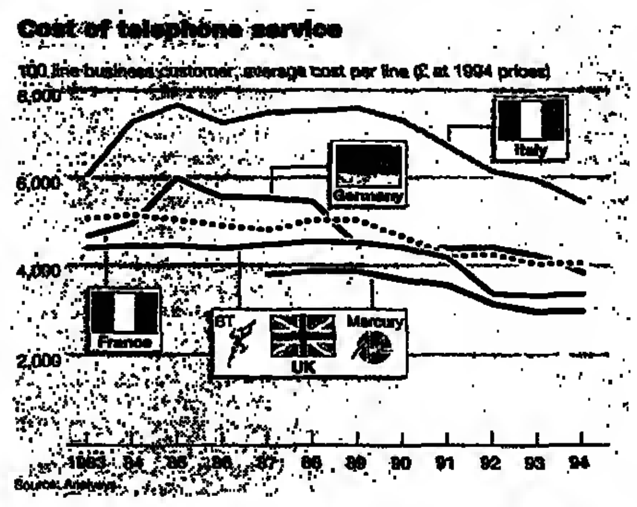


John Willman looks into the availability of public finance

Getting some cash for your move

No business can afford to make a relocation decision in the UK without looking into the availability of public finance to assist in the move.

The highest profile help comes in the form of the regional selective assistance provided by the government, which can make a significant cash grant towards the costs of a business locating in the assisted areas. Smaller firms may also be eligible for regional investment grants.

But there are many worthwhile incentives in other forms, including cheap accommodation, help with training and tax incentives for businesses that locate in enterprise zones.

The cash grants provided in the assisted areas make them the most appealing places in the first instance for businesses seeking a new location. Nissan, for example, received two tranches of regional selective assistance worth £44m in total towards the capital costs of its plant at Sunderland, Tyne and Wear.

Regional selective assistance has made a substantial impact on employment in the assisted areas according to Mr Nick Mansley of PA Cambridge Economic Consultants, which last year published an evaluation of the scheme. This estimated that between 1985 and 1988, the scheme had created between 75,000 and 100,000 additional jobs at a net cost of £560 to £790 per net job year.

"For companies choosing to locate in the UK, it is on average the third most important factor after a pre-existing presence and the need to be in the UK market," says Mr Mansley.

In most of the assisted areas, a variety of local development bodies can offer further help in relocating a business. These include:

- The urban development corporations which clear derelict industrial sites and create modern factory and office developments.
- Training and Enterprise Councils – they can help in recruiting and training staff.
- English Partnerships, the urban regeneration agency which has inherited the portfolio of factories, workshops and offices managed by English Estates.
- Regional and local development organisations such as the Northern Development Company which covers the north-east and Cumbria.

Enterprise zones offer companies which set up in them exemption from business rates, 100 per cent allowances on corporation tax for capital expenditure on buildings, and greatly simplified planning procedures. At present there are just six, with three more about to be set up in former coalfield areas such as Lanarkshire in Scotland.

One of the most successful enterprise zones was set up after the closure of the steelworks in the Northamptonshire town of Corby. Its term expired in 1991, but it had been sufficiently successful in attracting new businesses for Corby to be removed from the list of assisted areas when the map was redrawn last year.

At the same time as Corby disappeared from the map of assisted areas, parts of London and the south-east of England were added for the first time.

In London, the Lea valley, Park Royal estate and the London end of the East Thames corridor are now included – providing help for companies relocating close to the capital's heart. Outside London, the Isle of Wight and parts of Kent, Sussex and East Anglia have joined the list of economically disadvantaged areas.

Overall, the assisted areas cover 34 per cent of Britain's working population. Slightly less than half lie in what are termed development areas, those the government says have the worst unemployment problems. They are eligible for higher rates of regional selective assistance and for both types of regional enterprise grants.

Less generous support is available for the remaining assisted areas, known as intermediate areas.

The Isle of Thanet in East Kent is the first part of the south-east to acquire development area status, to the delight of the local authority.

"It has taken Thanet into a different league," says Mr David Ralls, chief executive of Thanet district council. "We've already had £¾m in grants for Thanet companies seeking to expand. And there is an accelerating range of inquiries from companies thinking about moving into the area, attracted by the availability of grants."

Regional selective assistance is available to manufacturing industries other than those where support is barred by the European Union (such as iron and steel, shipbuilding and man-made yarn). Services also qualify so long as they serve more than the local market.

Grants are based on the fixed capital costs of a project and on the number of jobs it is expected to create. On average, awards in development areas run at between 15 per cent and 20 per cent of the capital cost of a project. In intermediate areas, the average is 10 per cent.

Regional enterprise grants are available to small companies in assisted areas and localities affected by colliery closure. For investment projects, these can cover 15 per cent of the cost of fixed assets up to a maximum of £15,000.

Innovation grants to support the development and introduction of new or improved products or processes cover 50 per cent of eligible costs up to a maximum of £25,000. They are also available in inner-city areas covered by a City Challenge scheme or a task force.

In 1992-93, more than £200m was paid out in regional selective assistance by the Department of Trade and Industry, the Scottish Office and the Welsh Office. Regional enterprise grants totalled £8.4m. Northern Ireland, which has its own industrial development programmes spent another £95m.

To qualify for regional selective assistance, there are several criteria:

- The project must show viability – it a good chance of paying its way.
- It must need the grant if it is to go ahead. This requires it to be shown that the project would not go ahead without the grant, or would go ahead on a smaller scale.
- It must create or safeguard jobs.
- It must have a regional or national benefit.

Meeting both the first two criteria can be a fine balancing act, according to Mr Vince Taylor, a specialist grants consultant with Coopers & Lybrand, the accountants.

"It is important not to begin the work before making the application for regional assistance," he says. "Officials will assume that if you've already started, you're committed to taking the project forward and don't need help."

Information on regional selective assistance in England from the Department of Trade and Industry, 66 Victoria Street, London SW1E 6SW. For the rest of the UK: Welsh Development Agency, Pearl House, Greyfriars Road, Cardiff CF1 3XX; Locate in Scotland, 120 Bothwell Street, Glasgow G2 7JP; Northern Ireland Industrial Development Board, 64 Chichester Street, Belfast BT1 4JX.

Alan Pike on the findings of countrywide researchers

The best place to live

Sea breezes. Lakes and mountains. Historic sites and buildings. Such attractions feature prominently in advertising and marketing material as Britain's cities and regions compete with each other for new industrial and commercial investment.

It is an easy game to play, at least for advertising agencies. Britain's compact nature and extensive motorway system ensure that no example of grim industrial dereliction and urban decay is more than about an hour away from glorious scenery.

This is, however, only the beginning. Companies considering relocating – and their employees – are asking increasingly detailed questions about the quality of life. Access to fresh air and outdoor amenities is indeed an important consideration, but it will not sell a location that has a negative reputation in other ways.

In Britain, many organisations considering a move, and local authorities seeking to attract investment, make use of the researches of the Quality of Life Group, a joint unit at Glasgow and Strathclyde universities. Since the 1980s, the group has tried to break through the inevitably impressionistic, "beauty is in the eye of the beholder" approaches to finding a good place to live, and develop a sound academic basis for measuring the quality of life. Opinion surveys were constructed to establish the factors people regarded as most important in a location, and the results then applied to amenities available in particular cities and towns.

Living in a low crime area emerged as the most important priority, followed by access to good public services and suitable housing. All these factors were regarded as more important than employment prospects, which came fourth in the order of priorities.

When the Glasgow-Strathclyde researchers applied the public priorities to actual towns and cities, Edinburgh emerged as Britain's most desirable urban location. Aberdeen was second with another Scottish location, Motherwell-Hamilton, featuring in the top ten. Scotland's attraction was further confirmed by a subsequent study of smaller towns, when the most popular were headed by Perth.

For reasons that are only partly understood, the south is, generally speaking, a healthier place to live than the north

Edinburgh's position as number one is untypical of big British cities in general which, on the Quality of Life Group's criteria, tend to be seen as less desirable places to live than smaller locations. And not all the most popular locations share Edinburgh and Perth's strong tourist images. Bradford, Stoke-on-Trent and Middlesbrough all featured in the top ten. Sheffield came one place ahead of Oxford, and Birkenhead several ahead of Bournemouth.

Regionally, the West Midlands fares particularly badly, with Wolverhampton, Coventry and Birmingham all low on the list. Can a city improve its standing in relocation league tables if some of the image factors that make it appear unappealing to outsiders are, perhaps, out of date? Birmingham, of all English cities, has recently made gigantic strides to develop its amenities with a new convention centre, its world class Symphony Hall and nurturing of arts institutions.

Members of the Quality of Life team believe it is possible to change an image, although it will involve prolonged effort. Glasgow, which was regarded in negative terms a decade ago, now enjoys a more positive reputation after sustained campaigns. Research showed that impressions of the city rose considerably during 1990 when it was European cultural capital, although some – but not all – of the improvement was lost when attention switched from the city afterwards.

Both partners work in a growing number of households, meaning that employers must take account of employment prospects for spouses when making relocation decisions. Living costs are obviously another factor likely to feature in discussions about locations.

The Staffordshire-based Reward Group, which conducts research and consultancy on pay and benefits, carries out surveys on relative living costs around the country. Its most recent found that all the most expensive locations were in the south-east – London, Woking, Welwyn Garden City, Slough and Berkhamsted – while the cheapest were Northern Ireland, Billingham in Cleveland and Wolverhampton. Over the past five years, however, living costs in the north have risen compared to the national average while lower house prices have reduced the relative cost of living in the south.

London scored badly on the Quality of Life Group's assessment of British locations. Its powerful international image does, however, sometimes give it advantages in attracting institutions from overseas. The government found last year that the capital's reputation as an international city, its worldwide air transport links and advanced telecommunications were all strong factors in a successful campaign to attract the European Medicines Evaluation Agency to London. It will open next year and, although initially employing only about 300 staff, may indirectly create thousands more drug industry jobs.

Britain remains a nation of rich regional variations. These include some disturbing ones that should perhaps be taken into account when considering relocation decisions, but often are not. Health differences, for exnmple, vary dramatically around the country. The most significant variations are related to economic status and deprivation but, across all classes, there is also a north-south divide. For reasons that are only partly understood, the south is, generally speaking, a healthier place to live than the north.

By taking all available and often conflicting factors into account, it would be possible to spend a lifetime researching the ideal place to live. East Anglia has the greatest proportion of detached houses in the country – but also the highest fatal and serious road accident rate.

However much relocation is turned into a precise science, part of any decision will always be made on basic impressions, as the friendly rivalry between neighbouring cities often illustrates. Edinburgh may win polls as Britain's most desirable location but many citizens of Glasgow, proud of their city's reputation for sociability, would rather move to an uninhabited Scottish island than live there.

Europe's showcase

Continued from Page 5

unmatched across much of Europe, where state-owned monopoly operators continue to reign supreme – albeit, in most of the EU, with an obligation to open their markets to competition by 1998.

However, beware of the hype. A recent benchmarking survey by the UK's Department of Trade and Industry concluded that Britain's telecoms services were, all-round "a good second" – towards the top of the international league on most scores, but heading it on practically none. No other European country occupied a more commanding position overall, but the US was ahead on many scores.

On pricing, for instance, a very different picture emerges if one looks at leased lines – essential for large businesses constructing their own national or international "virtual private networks" – rather than public network charges. For leased lines, while the benchmarking survey found the cost of similar high-capacity leased lines markedly lower in Britain than in most of continental Europe, the prices were far lower in the US than in Britain.

Reuters, which has the largest private telecoms network in the world, claims that it would save 90 per cent of its outgoings for leased lines in Europe if the equivalent network were in the US. As the DTI notes, "such high costs not only increase the costs for business, they also suppress business activity by making it uneconomic to offer certain types of service or to carry out some business activities."

There is another moral. Britain may be an island, but its competitive position in telecoms depends critically on high-quality services and low tariffs across its continent. Services are improving and tariffs falling – but overall, Europe lags behind the US on both scores.

However, on the same regional dimension Europe is well ahead of Asia-Pacific – the other great regional magnet for relocating companies – where a few islands of first-world telecoms subsist in a sea of inefficiency and antiquated networks.

Franchising and motorway tolling

Rail and road in a new climate

What the railways achieved in the middle of the 19th century, the motorways have done in the second half of the 20th. Both opened up parts of the country previously cut off from the commercial mainstream and increased the choice of locations available to business.

But while both transport networks are now substantially in place, the ways in which they are managed and financed are undergoing considerable change. British Rail is being privatised after 47 years in public ownership while the motorways, previously free at the point of use, are being prepared for an ambitious electronic tolling programme.

If these two experiments are successful, there is every prospect that both road and rail will provide a better service for the business community. But the more commercial climate in which both modes of transport will be required to work could have considerable financial implications for the business user.

To take rail first: the privatisation, or more accurately the franchising out, of British Rail's operations will lead to the creation of 25 independent train operating companies. They will compete to provide train services, using leased rolling stock on track rented from a separate infrastructure company, Railtrack.

Management buy-out teams and trade bidders from sectors such as buses and shipping are all gearing up to bid for BR's operating companies as they are put up for sale over the next three years. The operations on offer range from single lines such as the London to Gatwick airport express to entire networks such as ScotRail and Great Western.

Successful bidders will acquire franchises, probably for between five and 15 years, to provide a rail service over their designated routes. As the train operators settle down, they are likely to want to expand their activities to compete with other franchisees.

The government will maintain a considerable level of subsidy to most of the operating companies but it hopes that managers freed from the constraints of BR will be able to expand the market place.

Many of the BR managers currently contemplating bids have ambitious marketing plans. Despite the sophistication of BR Intercity's marketing to the business traveller and its success in expanding rail usership, there is still enormous potential among business travellers previously wedded to the company car.

While much of the market growth is expected to come from expanding off-peak, discounted leisure travel, some rail managements have plans to attract business travellers who may not have used a train for the past decade. Many businessmen and women have an outdated idea of the service now offered by the railways.

Ideas under consideration include free travel to reintroduce people to the idea of using the train, the provision of "club class" carriages for business travellers, and an increase in high-speed shuttle services designed to attract the businessman.

Privatisation does, however, also increase the prospect that little-used lines will close. The government says it expects there will be no significant changes in the extent of the rail network for the first few years but splitting up the railway will expose to public view the profitability or otherwise of individual routes. It would then prove harder to justify massively loss-making lines.

Less radical change appears likely for the freight side of BR where its bulk operations, carrying products such as coal and steel, are being split into three geographically defined companies and put up for sale to the private sector. The domestic container business, moving "boxes" from ports to inland railheads and the international business, shipping containers by ferry and the Channel tunnel, will also be sold.

Domestic rail freight has always been hampered by the absence of many viable long-haul routes in the UK but the opening of the Channel tunnel will plug the British rail network into that of continental Europe and does open up significant opportunities.

The government's plans for BR coincide with moves internationally to free railways from state control though the British approach is considerably more ambitious than that elsewhere. Proposals to introduce tolls on the motorway network, on the other hand, follow a pattern long-established in France and Italy.

With ever-tighter constraints on the government's transport budgets, the idea is to make better use of the existing motorway network rather than to continue building new roads. The Department of Transport recently dropped or shelved nearly a third of its £21bn roads programme.

The department is currently working with nearly 400 private sector companies to develop a comprehensive electronic tolling system which could cope with Britain's busy motorways. The system needs to be capable of registering and charging up to 12,000 vehicles an hour travelling at speeds of up to 70mph.

The likelihood is that overhead or roadside "readers" would record the passage of a vehicle, deducting a sum from the driver's pre-paid account or billing him or her for future payment. The government has rejected from the outset the idea of installing payment booths on the motorway on the grounds that they would slow the traffic flow.

In its technical detail this programme is more advanced than any tolling system in use around the world, a factor which causes some observers to doubt whether the government will achieve its ambitious target date of 1998 to introduce the new system.

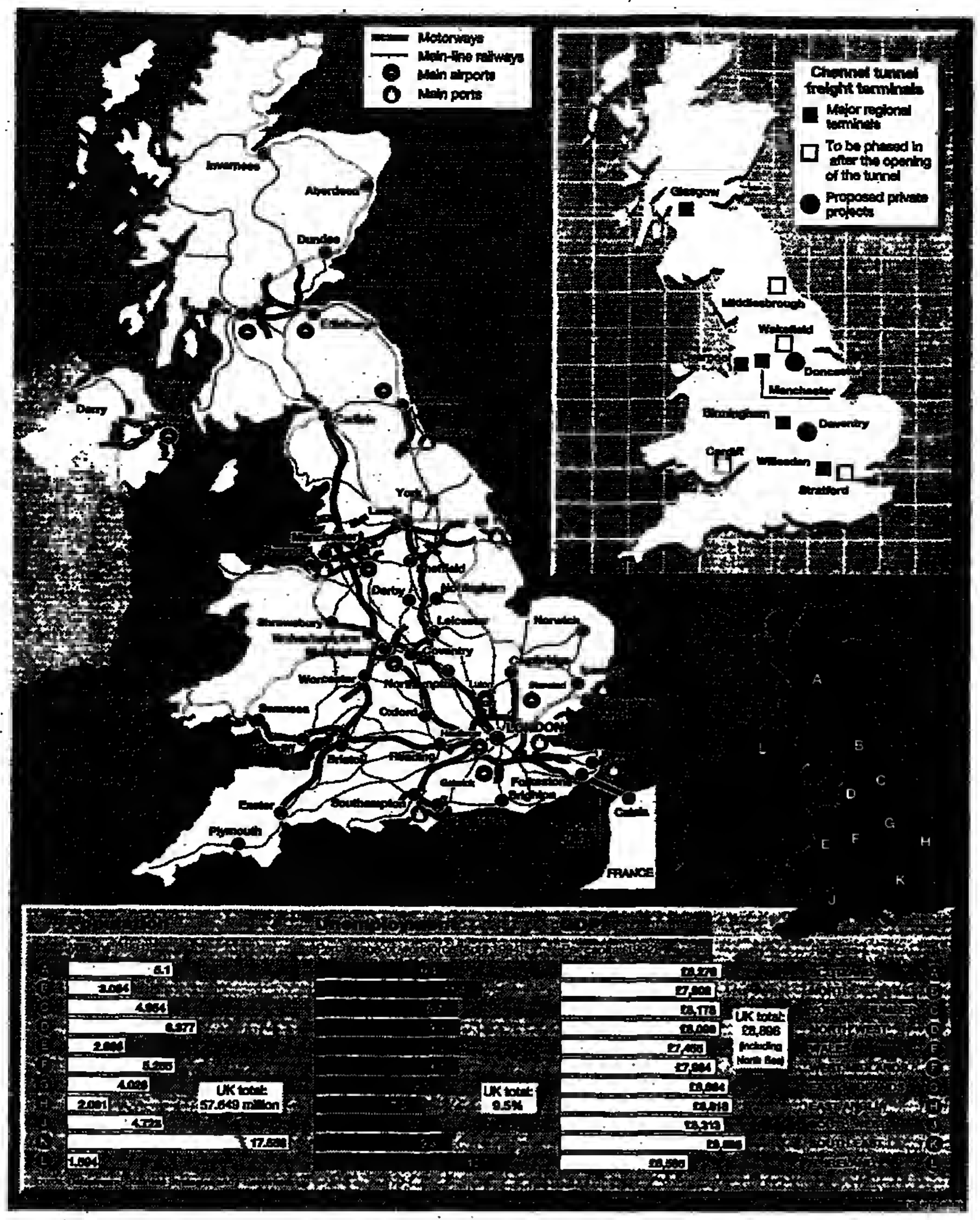
Mr John MacGregor, transport secretary, has spoken of charges of 1.5p a mile for cars and 4.5p a mile for lorries. The government calculates this would raise £700m a year if the entire 1,900-mile motorway network were covered. These charges are low compared with those imposed on the continent but the government is fearful of driving motorists off the motorways to other trunk roads.

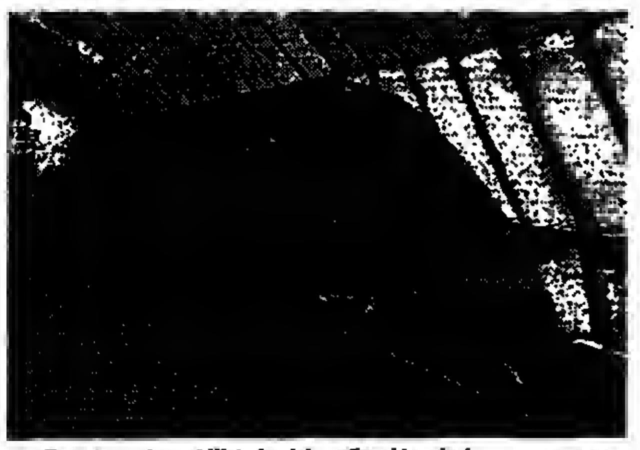
Motorway tolling will force travellers to make a payment at the time of travel. That may lead them to consider if their journey is worthwhile or whether they should take the train. Clearly, the impact of tolling will depend on the level at which charges are finally set, though travel costs would be only one issue among many to be taken into account.

There is no doubt, however, that modern manufacturing methods frequently require raw materials, components and sub-assemblies to travel considerable distances between factories. The cost of transport will therefore increase.

But motorway tolling should lead to a reduction in congestion and thus reduce journey times for the business traveller and lorry shipments.

Charles Batchelor




The Eurostar arrives at Waterloo International terminal *Trevor Humphries*

Impact of the Channel tunnel on business

Barrier that may fall

The Channel tunnel, the first land link between Britain and France since the ending of the Ice Age 11,000 years ago, will have a profound impact on travel patterns and the British psyche. It is also expected to have a considerable influence on the location plans of business.

The tunnel should be able to offer a degree of convenience and reliability which the ferries, subject as they are to the vagaries of the weather, cannot match. Despite the improvements in the quality and the frequency of ferry and airline services in recent years, the need to board a ship or take an aeroplane has meant that the Channel has remained a psychological barrier to business.

The creation of a land link between Britain and France should change all that, though the tunnel is just one element in the rapidly evolving European business environment. The creation of the single European market and changes in manufacturing and distribution patterns also have an important influence on a company's location decisions.

The tunnel's opening will have both a regional impact – on location decisions in south-east England and north-east France – and also a broader European impact on companies with a scale of operations and a location strategy which embraces the entire continent.

At a regional level, location decisions will be influenced by the development activity which is under way along the rail links between the tunnel and London and Paris respectively. In Kent, Ashford has high hopes of becoming a growth centre while across the Channel ambitious developments are under way in Lille.

Ashford's position seems assured following the government's decision to route Channel tunnel trains through the centre of the town rather than bypassing it to the north. This should provide a boost for the new international railway station currently being built in the centre of the town.

But elsewhere along the route of the Channel tunnel rail link, the delays and uncertainties which have surrounded the project have held back property developments, according to Mr Kevin Lee, a property researcher at chartered surveyors St Quintin.

Waterloo is the site of an impressive new international terminal but completion of the Channel tunnel rail link in 2002 will shift the main London terminus to St Pancras. The prospect of this move has left companies uncertain as to the best location for fast Channel tunnel connections.

Similar uncertainty reigns over the site of another intermediate station on the route with three contenders in the ring. Stratford in east London, Rainham in Essex and Ebbsfleet in Kent are all seeking to win approval for ambitious property developments though it is likely that only one will be chosen. Too many stops on the high speed link would reduce the value of building the link in the first place.

In stark contrast to this delay in the UK, the French government has pressed ahead with the construction of a high speed line linking Calais with Paris via Lille. Lille, which is now only an hour from Paris by train à grande vitesse, is developing Euralille, a sizeable office and retail project on the site of its recently completed TGV station.

> Improved rail freight links between the north and Italy will clip hours, if not days, off shipment times

On the broader, European scale, the vastly improved rail freight links between, for example, the north of England and Italy, will clip hours, if not days, off shipment times across Europe. This can be expected to influence the location decisions of businesses with manufacturing plant spread around Europe.

By the same token, rapid passenger journey times between London, Paris and Brussels may prompt multinational corporations to rethink their decision on the location of main or branch offices. Even before the high-speed rail link is completed between the tunnel and London, through journey times should prove very competitive with the airlines.

When the tunnel is finally open for business it will offer four principal services to the traveller or the freight operator. Freight will travel through the tunnel on long-distance services carrying containers, swap bodies and trailers or on shuttles.

The shuttles will carry trucks between Folkestone and Calais but the long-distance services will run to a wide range of destinations throughout Europe.

London to Madrid should be possible in 36 hours and Manchester to Mannheim in 24 hours. In the absence of the delays associated with rail freight shipments across the Channel by ferry, through journeys by train should take only half as long as the equivalent road journey, according to calculations by the organisations selling rail space.

Railfreight Distribution, British Rail's freight arm responsible for container shipments, expects the opening of the tunnel to increase train freight volumes from 2m tonnes a year to 6.5m tonnes after two years.

In the meantime, passenger services will also consist of through services, initially between London, Paris and Brussels, and of car shuttles operating between Folkestone and Calais.

The opening of the tunnel will make it easier for multinational companies to include the UK in the rationalisation of their distribution operations. Many companies have been moving away from national distribution centres – which involve considerable amounts of inventory – towards continent-wide distribution operations.

"Because the Channel tunnel provides a more effective link with Europe it creates the option for distribution centres to serve the whole of north-west Europe, including the UK," says Professor James Cooper, director of the Cranfield Centre for Logistics and Transportation.

This may mean that companies which at present have a UK distribution centre in the Midlands will consider relocating to northern France or the Benelux countries. However, such a move would not be without its problems because supplying the Scottish and Irish markets would be more difficult.

Creating Europe-wide distribution centres may also run into the problem that different national markets may have their own technical, language and packaging requirements which reduce the scope for cutting back on inventory.

Delays to the opening of Channel tunnel services have proved a distraction from the benefits that the tunnel will eventually bring. If it can show it is able to provide a reliable, high-quality service it will become an important factor in location decisions.

Charles Batchelor

Advisers can help with moves, says **David Lawson**

Message gets across

It has taken a long time for the business community to accept the need for specialist advice on moving. Unlike footloose America, where the relocation industry shifts small armies of staff every year, UK companies have tended to maintain a stiff independence. Relocation, like cold showers, might be good for the constitution, but it is something one does privately and in complete acceptance of inevitable discomfort.

Gradually, however, the message has worked through. Since the idea was brought across the Atlantic 20 years ago, a network of more than 60 consultancies has carved itself a niche in the market, with about 150 small operations geared to the more limited task of homefinding.

However, last year the Inland Revenue threw a bombshell. A Budget announcement restricted tax-free expenses to £8,000 a head – about half the true cost of moving staff.

As relocation had almost ground to a halt because companies could not afford to move or were no longer being driven out of London and other cities by high rents, this final straw cut business by 30 per cent last year.

Recently, the threat has been dispelled through a carefully-worded government climbdown. Consultants and employers can continue to buy homes of staff at a guaranteed price without facing tax demands.

Ironically, however, last year's potential disaster could end up as the making of the sector. "All these expenses still have to be noted on each employee's tax form," says Mr Andrew Finney, managing director of Hambro Countrywide Relocation. "This shifts the focus of relocation from personnel offices onto finance officers' desks and will finally make companies aware of the real costs."

That will give consultants the chance to insist they can do it cheaper. "We are no different to any out-sourcing service," says Mr Finney. "Companies can move themselves. But we do it better."

Around 70,000 people are provided with full relocation support by employers each year through house purchase guarantees, bridging loans, moving expenses and resettlement counselling. Relocation specialists still handle only around around 20,000 of these, says Mr Finney. "But there are probably 250,000 moves for employment reasons each year, so the potential is enormous."

The range of consultants is vast. The Edinburgh-based Association of Relocation Agents lists over 140 members, from sophisticated commercial agencies to one-woman offices that try to find homes for long-distance movers.

Black Horse is the market leader, moving about 6,000 people when the market peaked in 1992, although this may almost have halved since activity tailed away. Hambro has just narrowed the gap by swallowing Nationwide Relocation, pushing the combined total to around 2,500 fully-supported moves and about double that number of assisted relocations.

Groups such as ARC and Hamptons make up the next layer, but a much larger number of smaller operators sit between them and the home-search brigade. They claim to offer greater local knowledge, something the big agencies are trying hard to combat in the search for business.

Because of the slump, new products are being added almost by the month in the effort to gain an edge. The large agencies now offer a wide range of services from guaranteed house purchase – the biggest problem during the property slump – through specialised counselling to comprehensive project planning.

PHH Homequity launched a computerised property database this month to help companies decide on the right level of mortgage subsidy for employees moving to more expensive areas. But Mr Liam Robson, corporate development manager at ARC, says his group already runs a similar scheme for matching movers to a similar area, using social and economic data.

Finding a standard charge is becoming more difficult as groups compete for business. PHH declines to reveal its fee scale (or the number that it moves in the UK). ARC's charges range from £1,100 to £2,000 a head, depending on the type and size of contract negotiated with a company.

Hambro has widened its service base to cover movers who require a less extensive service. Fees can be as low as £250 a head compared with £1,250 for the full treatment.

"Since the tax threat cut business, the industry is generally becoming more market-sensitive," says Mr Finney.

But there is still a residual resistance to bringing in consultants. Companies often underestimate the complexity and costs of group moves, but individual moves are more likely to be handled in-house. Agencies are chipping away at this barrier, however. About half the sector's business in 1992 involved career moves, according to Black Horse.

Fees are perhaps the major barrier to attracting business. Companies seeking to cut costs through relocation are often reluctant to take on the expense of a consultant.

The average fee for a corporate property purchase is almost £1,400, while private customers pay a £1,500 flat fee plus just over 1 per cent of the purchase price, according to the ARA.

Even paying staff to move sticks in the craw of some managers. "But there is a simple counter-argument to companies who balk at relocation subsidies," says Mr Finney. "They can pay the average cost of £15,000 to £20,000 to move a manager or lay out the same amount with a recruitment agency for a replacement.

"They then have the on-going costs of familiarisation, as well, and will be getting an unknown quantity rather than a manager they know."

Can Scotland continue to attract foreign investment?

Era of jobless growth

An English economist who visited Glasgow recently was ticking off features of the Scottish economy for which, he said, even the south of England would give its eye-teeth. He listed a (slightly) lower unemployment rate, an almost total absence of negative equity, a manufacturing base that now included virtually no aged plants and, finally, an unrivalled capacity to attract inward investment.

In Scotland inward investment (or foreign direct investment – FDI – as it is increasingly called) is no longer the fashionable subject it was a few years ago. Only last winter Scottish Enterprise, the development agency, was warned by the US consultants Monitor that foreign branch manufacturing plants were artificial creations which showed little capacity for spontaneous growth.

The report, focusing on the Scottish electronics industry, also reiterated concerns that in the near future Scotland would find it increasingly difficult to attract FDI. It would face stronger competition from low cost manufacturers in southern and eastern Europe.

Yet the fact is that a steady stream of foreign-owned companies continues to arrive and open manufacturing plants. Scotland is gradually getting more used to having an economy in which the commonest manufactured item is an assembled printed circuit board, rather than a piece of riveted steelplate.

It is difficult to argue that plants like International Business Machines' complex at Greenock or Compaq's nearby facility at Erskine have not put down roots in Scotland, even if the former does only a small amount of product development, and the latter almost none.

"We've had a hell of a year," says Mr Robert Crawford, director of Locate in Scotland, the inward investment bureau which has offices in the US, the Asia-Pacific basin, continental Europe and London.

Though he cannot reveal his totals for 1993-94 (the report has to go to ministers), he hints that Scotland's performance in terms of the number of FDI projects won, jobs created and money committed will be even better than in 1992-93, when foreign companies committed about £350m of FDI to Scotland and said they would create more than 5,000 jobs.

As an example, Mitsubishi Electric opened its fourth manufacturing plant in Scotland a few weeks ago, a 95,000 sq ft facility at Livingston which makes air-conditioners and employs 200 people. In November the Singapore electronics manufacturer PCI announced it would open a plant in East Kilbride that would eventually employ 300 people.

At the beginning of this month, ICC, a Chicago-based company which manufactures portable battery chargers, said it would set up a plant in East Kilbride, creating 400 jobs over the next three years. It will be a major supplier of, among others, Motorola's big mobile telephone plant at Easter Inch.

And so it goes on. Setbacks, such as the departure from East Kilbride last year of AST Computers, are absorbed. The fact that Compaq decided to establish a new surface mount technology assembly line at Erskine, instead of locating it in Singapore, is justifiably highlighted, as is a further £93m investment by Roche in its Dalry, Ayrshire pharmaceuticals plant.

According to Mr Crawford, the US economy, growing at 5 per cent a year, continues to be a good source of new FDI projects. Japan, on the other hand, is yielding little. Taiwan and Singapore, he thinks, are more likely to produce joint ventures and licensing arrangements with Scottish companies rather than FDI projects, though he hopes to win a Taiwanese project later this year.

"I don't think the emphasis on jobs as a measure of success is sustainable in the long term," he says, while acknowledging that as a yardstick it has attractions for politicians. "In an era of jobless growth we've got to find some new way of measuring what foreign companies contribute to the economy."

To try to extract more value from the foreign businesses already operating in Scotland (there are between 400 and 500 of them) Locate in Scotland is establishing a post for an official to strengthen contact with them and see what extra opportunities they offer. It is also appointing a staff person to Taiwan.

Although the threat of competition for FDI from eastern Europe is often flagged up, Scotland has yet to feel its effects strongly. "Eastern Europe has not become massively competitive so far," says Mr Crawford, "but it will develop. Most of the foreign money that's gone in there has been used to buy up privatised businesses rather put up new plants," he says.

Scotland has the advantages for investors of a good infrastructure (although the Monitor report found some significant faults), government grants (though not as good as those on offer in Ireland), duty-free access to the EU market and the English language.

While Scotland is also winning investments from companies in other parts of Britain, the flow of businesses relocating to Scotland is not as strong as it was in the late 1980s, when Glasgow had a plausible hope of being able to lure company headquarters to the city (it never succeeded). Now Glasgow should get the army's new centralised personnel centre as part of the government's relocation scheme.

In a well-publicised manoeuvre, the Department of Trade and Industry transferred 60 engineers and geologists in the Petroleum Engineering Division, which approves oilfield developments, from London to Aberdeen. As part of a decentralisation trend, Conoco, the US oil company, is making Aberdeen its UK headquarters, moving staff from London.

A possible threat to the winning of FDI is posed by the winding up, now under way, of Scotland's new towns, where most inward investors want to go. Scottish Enterprise has moved to acquire new town factory sites which could be attractive to potential inward investors, with the government allocating about £10m for that this year.

James Buxton

David Lawson on staff transfers

Keep the workers in the picture

In the marriage of labour and capital, the partners are unequal. Staff are usually the last to know about a crisis that can sometimes lead to divorce.

The decision to relocate is often signed, sealed and ready to deliver before anyone gets around to telling most of the people affected. Few companies will then drop the whole idea if a workforce decides not to play. In fact, some are quite happy to leave them behind.

"While costs and better premises are the main factor in moves, some relocators see a definite advantage in shaking up working practices and getting rid of dead wood among staff," says Ms Caroline Rawson-Gardiner, of property consultants Hillier Parker.

They still need to persuade a core group to move, however, and most are shocked by the depth of feeling generated. They appear blind to the feelings of people whom they should know intimately.

For instance, one company questioned in a Hillier Parker study was threatened with an action before the Equal Opportunities Court by women workers. They had mobility clauses in their contracts but still felt they could not move because their husbands were primary breadwinners.

Three-quarters of relocating staff with a working spouse are concerned about their partner finding work and loss of double income, according to a survey by Black Horse Relocation (BHR) and the CBI. Yet only a third of employers saw this as a problem. The same gap is evident over education of children, which worries 90 per cent of relocating parents but never crossed the minds of two-thirds of company decision-makers.

As the typical relocator is a 38-year-old middle-manager with two children and a working spouse, the potential for disruption and loss of key staff is obvious.

Even when feathers have been smoothed and workers won over by promises of help, employers still appear to get it wrong. Few staff polled by Black Horse/CBI claimed to have seen information on help for "trailing" spouses. Almost 40 per cent believed there was no non-financial assistance.

Most problems boil down to lack of communication. "Just knowing someone is there to answer questions can make all the difference," says Mr John Carolan, managing director of BHR.

Many companies use relocation specialists in some way during moves, which means staff should have access to counselling services. Trained advisers can provide information on buying and selling homes, jobs for spouses and details of potential schools in the target area. Some agencies allocate personal counsellors who take responsibility for particular individuals. But only half of all relocators stump up the extra cost for staff counselling.

Most relocators tend to call for help from consultants too late, adds Hillier Parker. This is usually once they realise the dissatisfaction among staff – by which time the damage has been done and relationships have been soured.

Avoiding hurdles before they appear requires careful planning. The first requirement is a formal relocation policy so staff at least know where they stand. "Correct timing of a relocation announcement is vital," says Mr Steve Abbley, managing director of PHH Homequity.

"No company should make known its intentions before establishing its relocation strategy and in particular its policy for employees." Most major groups have already thought of this: 90 per cent of those with an annual turnover of more than £500m have a written policy, says BHR. Unfortunately, hardly any include non-financial assistance in these statements.

Trouble can flare even when there is a written policy. "Support from the workforce will only be achieved if the information is believed and trusted," says Mr Abbley.

Companies must also stand their ground once a decision has been taken to move – even if this comes as a shock to workers. Confusion and wavering over whether a relocation will go ahead can be even more harmful to staff relations than the threat of losing key workers.

That means doing an exhaustive study about why – and whether – to move. Bringing workers into decision-making can be the glue that holds staff together, says Mr Abbley. Briefing key staff early on about the support available gives them a feeling of importance.

The tenor of the follow-up approach is crucial, however. "We see the workers as our clients nowadays rather than the employers, and treat them accordingly," says Mr Andrew Finney, managing director of Hambro Countrywide Relocation.

That means counselling and advice for whole families rather than just cramming workers into a hall for a lecture. "All too often, an employee's family is the real source of discontent," says Mr Abbley.

Hillier Parker found that almost half the country's top 500 companies intend to cut costs by relocation.

During the recession staff have been forced to tag along. But as the economy revives, alternative job opportunities will emerge. So employers will face twin pressures of needing to rationalise and move but greater difficulty in holding on to key workers. Unless they make greater efforts to improve communications, the divorce rate between capital and labour could soar over the next decade.

Ian Hamilton Fazey on the British Council's move to Manchester

Culture shock that paid off

The British Council has not yet stopped counting the benefits – many of them unexpected – of its relocation from London to Manchester in 1992.

The council is Britain's principal agency for cultural relations overseas. It has charitable status, a royal charter and a funding link to the UK Treasury. Most people would expect it to do the bulk of its headquarters work, like other such British institutions, in London.

But the council's main strength is its global network of about 6,000 people. They staff the real front offices. Where the British head office and back-office staff work is now irrelevant as the UK becomes ever smaller through improving physical and electronic communications.

In any event, London posed problems. At one stage, council staff were scattered through 10 office buildings. Support services were a problem. A large, in-house maintenance staff was needed. A fleet of cars and vans was required to move people, paper and packages through the London traffic. A corps of messengers had to be employed. There was a perpetual problem with junior staff: like many London organisations, the council found it hard to retain them in a competitive labour market.

On top of all this, there were the "London" problems of high overheads and operating costs – and the effect on productivity of unreliable public transport failing to get everyone to work on time every day.

Nevartheless, within the council's own ranks there was initial dismay that it should contemplate a move from the capital. As Mr Brian Humphreys, the council's resources manager, puts it: "The first reaction in London was of disbelief, followed by resistance, then acceptance, then co-operation, then surprise."

The choice of where to go narrowed to Glasgow, Leeds and Manchester. There was not much to choose between the three cities in terms of quality of life and the accommodation on offer; but Manchester was the only one with an international gateway airport designated as a hub – and that "gave Manchester the edge," Mr Humphreys says.

Although the building which the council took is a 10-minute walk from Manchester Town Hall, it is only a 20-minute drive from Manchester Airport.

The site itself was developed by British Gas and was once a depot in the shadow of a railway viaduct. With the land reclaimed and landscaped, the development has made a notable contribution to environmental regeneration by removing a substantial source of potential blight.

It has also linked well to other developments – such as GMEX, the Greater Manchester Exhibition and Conference Centre converted from a derelict railway station – to assist the expansion of Manchester city centre. The arrangement of the 116,000 sq ft of offices is the work of Business Design Group, a consultancy in working environments with 200 staff throughout Europe.

The British Council building in Manchester — Mike Arms

But the relocation of the British Council was not just a transplantation. The move offered the chance of a radical restructuring of the organisation and its operating procedures. With increasing competition for government contracts from universities, the Crown Agents or small or individual overseas aid administrators, it wanted to reduce unit costs.

It decided not to move its big services and maintenance department, but to split its functions and use contractors. Competitive tendering enabled it to pick and choose separate contractors for catering, building maintenance, security and cleaning. In addition, there are two "implants" providing services – Thomas Cook for the council's £10m of travel of each year and Rank Xerox for reprographic work.

Another decision was to have no messengers and dispense with the fleet of vehicles and drivers. Instead, more use is being made of information technology, with a terminal per desk, and video-conferencing facilities with London and the council's Hong Kong offices. Similar links will follow to other overseas bureaux.

The Treasury allocated £15m for the move. There was an overall project manager, plus one for personnel, one for the building, one for information technology, one for the move, and one – Mr Humphreys – to get everyone into the building and get it running.

The British Council started the move in March 1992 and completed it with a big push for most relocating staff during a single October weekend. "People arrived on the Monday to find telephones working," Mr Humphreys says. "I doubt whether we lost more than a few hours of downtime."

About 250 staff moved permanently and 50 commute weekly between the south-east and north-west. Some 300 were recruited locally and there are now 100 temporary employees.

Mr Humphreys adds: "We have been quite embarrassed by the high quality of the local staff when compared with what we had known in London. Their commitment has proved high and greater than what we were used to."

Another surprise was that interaction does not stop at the end of the working day. Staff used to rush for trains, tubes and buses as they scattered all over the south-east, commuting homeward. Now the council's bar is a gathering place for between 50 and 60 people every night.

"Some people worried about the loss of London's anonymity and did not want to be bumping into each other all the time. But here, the spirit of community is so much greater. Many young people have been able to buy good property within five or six miles of the office and can drive to work, where the parking is free," Mr Humphreys says.

Yet there must be some drawbacks? "We underestimated the stress," Mr Humphreys confesses. "The greatest stress comes from moving house and coping with a changing organisation, the switch to more IT, the minimisation of support staff and the big training programme.

"You need to provide a lot of money and time for stress relief and counselling. A counsellor still comes in at least one day a week.

"Against this, there are lots of delightful things, like easy drives to work, free parking, a nursery to look after your kids, and a fitness room. There is a good social side, and a good working environment. And because of who we are there is always a high quality of art on display."

The approach worked well enough for the British Council to win last year's Du Pont Office of the Year award. The council is now building on pre-existing contacts with local universities and Manchester Business School and aims to play an active role in regional economic development. "We are integrating with the whole community," Mr Humphreys says.

■ THE MIDLANDS

Accent on 'aftercare'

Johnson Controls, the US automotive components manufacturer, will be the first occupant of the Black Country Development Corporation's automotive components park at Wednesbury. The company figures on East Midlands Development's 1993-94 success list because it is investing in Mansfield. It already has a presence at Burton-on-Trent.

Its investment decision emphasises a developing trend in the attempts by Midlands agencies to stiffen the indigenous economy by injections of new capital. It is the desire to sustain companies which have already made investments.

The reasons are not hard to seek. The domestic recession has both reduced the capacity of British companies to expand and dimmed the desire to relocate. The operating cost differential between London and the south-east of England on one hand and the Midlands on the other has been eroded.

Lower domestic activity has increased the importance of foreign companies in the economic mix of the Midlands. Indeed, Mr Chris Tillett, chief economist at Coopers & Lybrand, accountants, in Birmingham, observes: "If the rate of inward investment falls, the West Midlands' chances of growing at the national average will be much reduced."

But with less inward investment about, there is growing competition to attract it. "Given the downward trend in inquiries, the principle of 'aftercare' has never been more important. Further investment by way of expansion of foreign-owned companies is becoming an increasing percentage of racorded investment successes," noted the forward plan of East Midlands Development, the inward investment agency.

Indeed, the 20 companies on its 1993-94 success list together account for about 2,300 jobs.

Similarly, the West Midlands Development Agency reported that 56 per cent of the investment projects for 1993-94 resulted from expansion programmes. "The 47 expansion projects generated £309m capital expenditure, created 2,100 jobs and safeguarded a further 4,000. The jobs created through expansion projects represent 66 per cent of all new jobs."

In total, there were 83 investment projects in the West Midlands. But only 14 were new and 19 were acquisitions of local companias by overseas groupa. The investment involved was £652.7m, triple that of 1992-93. But it is doubtful if so high a figure will be repeated in the current year.

"The performance in 1993-94 reflected the relative buoyancy of the world economy the previous year," says Mr Paul Richards, WMDA's chief executive. "International companies coming to the UK have been more activs than indigenous companies. They were slightly ahead of the upturn." This has been most notable among North American companies.

This year, though, the downturn in European economies is more likely to be reflected, suggesting that, in terms of economic development, expansion of existing operations should be more significant than greenfield investments.

In this respect, the West Midlands is in a stronger position than its counterpart. With about 1,000 companies of overseas origin already, the volume of activity is creating its own dynamism. By contrast, the East Midlands has done badly in attracting foreign investment – only about 3 per cent of the national total.

One reason has been the lack of a regional organisation and, allied to that, the fragmented effort to attract investment. East Midlands Development has been operating for just over six months, compared with West Midlands Development Agency, which has been in the business for 10 years.

In trying to make up the lost ground, Mr John Finch, its chief executive, stresses the need to work with local organisations. "The way I see that happening is that you say to the authorities: 'You have the knowledge and expertise about your area; our expertise is in promoting the region and getting industry to look at the region – see us as the overseas marketing arm, if you like'."

In the East Midlands the hope lingers that inward investors will provide an economic stimulus to offset the effects of coalmine closures. Incentives are available for a development area around Mansfield and an intermediate area for the north of Derbyshira, Nottinghamshire and Lincolnshire.

But, although the incentives are helpful, they are not likely to be of crucial importance in attracting new investment. KPMG Peat Marwick, accountants, in a recent survey of foreign companies in the East Midlands found that, "when asked about their motivation for selecting their current site, only 2.3 per cent of respondents were attracted by available grants and incentives".

Paul Cheeseright

■ THE NORTH

Shift in help to south

The full impact of last year's redrawing of the Assisted Areas map has yet to become apparent in northern England, where the provision of state aid to reinvigorate the local economy dates from the 1930s.

In one sense, the region did not see any great change in the review; while Darlington in County Durham was taken off the map, the Morpeth and Ashington area of Northumberland was added, and in Cumbria Workington's demotion from development to intermediate area was compensated by the granting of IA status to Whitehaven and Barrow-in-Furness.

However, the government's decision to give help for the first time to parts of London and the south and east coast means ths "traditional" assisted areas may have to fight even harder for inward investment, with fewer financial resources.

The Northern Development Company, the economic regeneration body for north-east England and Cumbria, with overall responsibility for the region'a inward investment drive, learnt recently it had suffered a 2 per cent cut – £32,000 – in its 1994-95 funding from central government.

The NDC had sought a zero increase – a cut in real terms. "The recovery of this region in terms of economic regeneration is a very slow process," complains Dr John Bridge, NDC chief executive.

The issue is certain to be raised next month at the annual meeting between Mr Tim Sainsbury, the industry minister, and the NDC and its counterparts from other regions. The minister faces some tough questioning.

Already, the new competition is asserting itself; on a recent visit to Dubai with the Cumbria Marketing Initiative Mr Harry Knowles, chief executive of Furness Enterprise, the Barrow-based agency, came across the rival East Kent Initiative. "There's only so much inward investment to go round; we're all competing like crazy for it," he says.

The East Kent team emphasised its area's proximity to the Channel tunnel. North-east and Cumbrian agencies do not believe the tunnel will lose them significant inward investment; indeed, Mr Chris Fraser, the NDC'a director of international investment, saya the new link between Britain and France should be generally beneficial in marketing terms.

In the north, the need for further improvement to the A66 between Cumbria and the east coast ports is more of a live infrastructure issue.

The region's inward investment agencies are reporting a recent rise in inquiries.

Dr Bridge has noted growing interest from Germany, because of the UK's improving comparative productivity and relatively low labour rates and the strength of the D-Mark.

In recent years, the NDC has aimed to secure about 5,000 projected jobs annually, including new and safeguarded jobs, through inward investment. This year, says Dr Bridge, "we'll be lucky to get 4,000."

Even so, the past year has seen some big breakthroughs. West Cumbria has won its first Aslan investment. Sammi (UK), a subsidiary of Korean audio speakar manufacturer Sammi Sound Technology, has taken over a former shoe factory near Workington. It is now starting production, employing 30 people, rising to 60 by the end of 1994. The target is 100 within two years.

This month Taiwen's CMC Magnetics Corporation opened its £26m floppy disk production plant in Cramlington, Northumberland, expected to create 550 jobs over three years.

The project, receiving £8.25m in government regional assistance, is the UK's seventh investment from Taiwan, and Northumberland's third. "Taiwan is one of our markats with the most potential at the moment," says Mr Fraser.

Chris Tighe

■ WALES AND THE SOUTH-WEST

Two regions with plenty to offer

Seven cranes tower over a huge construction site near the motorway to the north of Bristol, a highly visible sign that relocations to the region have not ceased in spite of the recession.

At Bristol, the Ministry of Defence is to consolidate its procurement executive, at present scattered on sites in London and southern England. The new headquarters, costing £255m, will see the first of 5,500 staff move there in the autumn of next year.

The scale of the MoD relocation dwarfs other recent activity in south-west England and Wales. Before the recession, both regions benefited from considerable relocation and inward investment. In particular, Wales has attracted it from overseas – it has more than 400 foreign-owned manufacturing companies – and the south-west especially from London and the south-east.

The pace has slowed but not stopped. During 1993-94 in Wales, there were 169 projects from other parts of the UK and overseas, compared with 201 schemes the previous year. One big investment announced last year was by Asat of Hong Kong, which is building a £42m integrated circuit plant in Gwent that is expected to create 1,000 jobs. But, as in the south-west, there are fewer large greenfield investments; instead, projects are tending to be small-scale or expansions of existing operations.

In both regions, there are recent signs of an upturn. Mr Ken Poola, senior manager with Price Waterhouse in Cardiff specialising in inward investment services, says: "In the last few months the level of inquiries has picked up in the financial services sector and on the manufacturing side."

In Avon, on the other side of the Severn bridge, it is a similar story. "We're much more optimistic than for a long time," says Mr Mike West, of the Western Development Partnership, an economic strategy forum. "We're on the move." Particular interest is being shown in joint ventures with locally-based companies.

The WDP, set up by the public and private sectors, is a recent product of a changed attitude in the south-west, which in the past has been complacent about the need to attract new businesses. During the 1980s, counties such as Avon, Gloucestershire and Dorset had not needed to woo inward investors because they came anyway.

Ironically – in view of the MoD's investment in Bristol – it is the contraction of the defence and aerospace industries, a mainstay of the regional economy, which is a leading motivator in stimulating the south-west to be more pro-active. The region was also hit hard by the recession in the financial services sector, which in the 1980s had seen much relocation to Bristol, Cheltenham-Gloucester and Bournemouth-Poole.

A plethora of partnerships to encourage diversification and inward investment is now in place. In addition to the WDP, there is an economic strategy forum in Gloucestershire and a similar body in Dorset called Partners for Prosperity. The South Dorset Economic Partnership is seeking businesses to counter the defence rundown at Weymouth and Portland, which last year gained assisted area status. Somerset has formed an economic partnership, and Devon and Cornwall is being promoted by the Westcountry Development Corporation.

Behind these initiatives lies a common concern at the lack of a regional development organisation. A "partnership of partnerships", the West of England Partnership, is about to bid for Department of Trade & Industry funding as an RDO for attracting international investment. The only existing such agency in the south-west is the Devon and Cornwall Development Board.

Both regions have a flexible and often skilled labour force, relatively low pay levels, and networks of professional and business services

Envious eyes are cast in the direction of Wales with its government-funded Welsh Development Agency and Development Board for Rural Wales. These can adopt a co-ordinated approach to marketing, land acquisition and property provision and, in conjunction with the Welsh Office and local authorities, offer a range of grants and incentives.

Both regions share similar advantages for companies which relocate: a wide variety of sites, a flexible and often skilled labour force, relatively low pay levels, and networks of professional and business services, especially in Bristol and Cardiff.

While there are weaknesses in the transport infrastructure – for example, air services – perhaps the biggest selling point is the countryside. Staff, and their families, are easily persuaded to make the move. In consequence, the south-west in the past decade has had the highest net migration of any UK region. Half of these immigrants are people of working age.

In Wales, the favoured area for inward investment has been near the M4 which runs close to Cardiff, Newport and Swansea. Sir Colin Marshall, chairman of British Airways which in 1993 opened £100m maintenance and components facilities in south Wales, last month described himself as "a satisfied inward investment customer". BA had first shopped around, Sir Colin said, but had "chosen to acquire the currency of Welsh skills and efficiencies".

Energetic efforts are being made to attract companies to the south Wales valleys and to mid and north Wales. Design Sculptures, a company set up in the Rhondda by its Guildford-based parent, says that what tipped the balance "was the availability of a labour force which is open to new ideas and not averse to retraining". It acknowledges, though, that it would not have relocated to Wales without regional selective assistance.

Most attention in the principality now focuses on Cardiff Bay, where a barrage replacing mudflats with a lake will help to regenerate 2,700 dockland acres. Mr Peter Connor, Cardiff Bay Development Corporation's director of business development, reports "very strong interest" now that construction of the barrage is about to start. "There is an awareness that Cardiff Bay is a special place," he says. "The bay can offer a very competitive grants package as an intermediate assisted area, with additional incentives as a development corporation."

Both Wales and south-west England offer many other sites with potential. These range from the Snowdonia Business Park, virtually surrounded by the national park, to the Atomic Energy Authority site at Winfrith, Dorset, where it is intended to establish a technology park, and to the old naval docklands at Plymouth, now the responsibility of a development corporation.

Another development corporation is at Bristol, where its prime site at Quay Point, near the city centre, is being marketed. Around Bristol, large industrial sites are becoming available north of the city, and to the west at Severnside, near the expanding Bristol port and the second Severn crossing due to open in 1996. Avon has a strong image within the UK as a good location for industries such as telecommunications, and for research, development and innovation with its three universities.

Further east, along the M4 corridor, Swindon remains a leading town for inward investment. In the 1980s, more than 100 companies employing at least 20 people moved there, drawn by its proximity to the motorway and Heathrow airport. The new arrivals, many of them specialising in high technology, account for over 12,000 jobs.

The best-known newcomer to Swindon has been Honda with its £350m plant. While no one in the south-west or Wales expects inward investment on that scale in the foreseeable future, and competition to win business has become much tougher, it is felt that the two regions can compare favourably with other UK regions in what they have to offer.

Roland Adburgham

Michael Cassell on investing in Ireland

The ugly bride with the big dowry

Property development in Victoria Street, Belfast — Paul Daly

There is no escaping it. Whatever the commercial and strategic attractions of setting up shop in Northern Ireland, the many positive aspects to life in the province remain overshadowed by deeply-ingrained images of a hopelessly divided, dangerous society.

Sir Patrick Mayhew, in a recent speech to businessmen, did his best to place Ulster's troubles in their correct perspectiva, stressing that the province was "not running a Clint Eastwood scenario 24 hours a day". Given recent successes in attracting new corporate investment, the message has not been falling on deaf ears.

Northern Ireland inevitably has a hard job in selling itself as a business location to companies looking to move existing operations or to establish new ones; why should anyone opt for west Belfast, with its random, sectarian murders and brick and iron barriers intended to separate alien communities? Surely, life in Telford would be much easier?

The media agenda dictates that Ulster usually means bad news, with the result that its problems can be distorted and exaggerated. But problems there are and they cannot, sensibly, be minimised by those seeking to attract new investment from within the UK or beyond.

Business assets in the province are regularly the victims of paramilitary activity and employees are regularly subjected to intimidation; security costs can be punitive and employers face a daunting catalogue of obligations under a tough set of fair employment laws designed to eradicate discrimination in the workplace.

But for most people and most sections of the business community, Ulster's tragedy rarely intrudes directly into their daily lives. The province's economy has, despite the recession, remained relatively buoyant and performed better than in the UK as a whole. Last year, for example, manufacturing output grew by double the UK average.

Equally to the point, the province can provide a business base which offers newcomers, by virtue of its extraordinary difficulties, extensive financial incentives to help overcome reservations about moving into what many see as nothing less than a "war zone".

Ulster, because of its higher-than-average UK unemployment and its "category one" status within the EU aid hierarchy, can offer cash help that is unrivalled anywhere in Europe. No matter that one development official remarks: "The bigger the dowry, the uglier the bride".

Cash help may not, alone, be sufficient to give Ulster the edge over alternative locations but in the final analysis, it can tip the balance.

Financial aid played a big role, for example, in the recent decision of Transtec, a Birmingham-based specialist engineering group, to set up a £16m plant in Londonderry to manufacture aluminium castings for the automotive sector.

The company will join a growing list of automotive suppliers who have now established operations in the province, including companies from Japan, France, the US and Germany. The new plant will, in the first instance, supply cylinder heads for shipment to Ford of Germany.

Transtec already employs more than 2,000 people in 12 wholly-owned subsidiary operations, most of them in the West Midlands. According to Mr Peter Munday, chairman of the company's automotive division, the business had decided on strategic grounds to look beyond its existing casting facility in England for the new plant and had considered a number of European locations before opting for Ulster.

The reasons for deciding on Londonderry, already the recipient of a significant inward flow of overseas investment, include good infrastructure, the potential for recruiting quality labour and the all-important assistance of the local industrial development board.

Mr Munday added: "The package of assistance also had to be sufficient to counter offers being made to us by other European locations. Aluminium casting is a very competitive, price-conscious business and we needed to ensure we kept our costs as low as possible.

"We could only do this by examining development areas with the highest incentives for inward investors. Although this was the major priority, it needed also to be coupled with the other plus factors which can be delivered in Northern Ireland, such as good transportation links and a factory which could be built quickly to our specifications."

The Industrial Development Board is not always too keen to discuss the details of financial assistance for specific projects but Mr John McGuckian, its chairman, disclosed that the total government aid package made available to Transtec will be about £4m. Few locations in Europe will prove as generous in offering cash help accounting for one-quarter of total start-up costs.

Operational costs, once established, are also significantly lower than in Britain or in mainland Europe, a point forcefully underlined by Sir Patrick Mayhew in a recent ministerial check-list of Ulster plus-points. He claimed, however, the beneficial picture was "not the result of sweated labour but in part from a generally lower overall cost of living in Northern Ireland".

For overseas investors, access to the markets of the European Union offers another important bonus and has been the driving factor behind location decisions taken by companies from the US and south-east Asian countries. IDB estimates suggest that around 55,000 people in Ulster are now employed by foreign owners.

The total is rising steadily in the wake of a particularly successful period of IDB activity and is shortly expected to be given a huge boost with the decision by Hualon, a Taiwanese textile group, to commence the biggest inward investment project since the ill-fated De Lorean car plant.

The European Commission has given clearance to a synthetic fibre project which will bring 2,000 jobs to Glengormley, close to the Belfast. At one stage, the project was thrown into doubt when European textile companies complained that it would create unfair competition, but the overriding need for jobs in the province finally won the day.

The new plant is expected to cost nearly £157m and the UK government, via the IDB, will put around £60m into the kitty. With financial support on such a scale, fears about the likely impact on business of limited, civil strife quickly recede.

The Hualon decision was welcomed by Mr Roy Baillie, vice-chairman of the Confederation of British Industry in Ulster, not just for the badly-needed jobs it would bring but also for the strong signal it would send to other international companies looking for a route into Europe.

The hope is that such decisions will not be seen merely as a positive move in the face of Ulster's problems but that, in bringing new prosperity to be shared by all parts of the community, they will help end the province's troubles.

Foreign investors

Continued from Page 1

the agencies, astute inward investors can exploit this to their advantage.

Regional agencies, such as Inward, the Northern Development Company in north-east England and Cumbria, and the Yorkshire and Humberside Development Association will gracefully give best to each other in the end, but only after fighting fiercely to win an inward investment project for their own region.

Each English region has such an agency, partly funded by the Invest in Britain Bureau and partly by local authorities and private sector supporters. This spread of support means there will also often be competition within a region, with local authorities or training and enterprise councils throwing in discretionary grants, rental holidays or help with training.

In some areas with declining industries such as coal or steel-making, or with endemic problems of economic structure, such as Merseyside, there is government or EU assistance. Grants will vary according to the numbers of jobs created, but the inward investor can again exploit competition between areas in Britain, and, indeed, elsewhere in the EU.

In the UK, every area outside the south-east can rightly offer good quality of life, access to good infrastructure, and – in most cases – a pool of adaptable labour. All have glossy brochures to sell their wares, some of them more objective than others, but all of them reasonably fair in what they claim.

The warmth of welcome may also make a difference. Three years ago, Crewe Business Park won Sokkia International – a surveying instrument business – because the mayor entertained the Japanese company's executives handsomely, while a rival local authority in Greater Manchester offered a barely hospitable reception.

Agencies such as Inward, the NDC or YHDA will arrange a programme of visits to view sites and meet key people. They will also provide critical data, such as the availability of suitable or adaptable labour, or the ease of access to a network of component suppliers, or transport links with the rest of the UK or with the European mainland.

Inward, in north-west England, was the most successful of the regional agencies in 1993-94, setting a record for the fourth successive year, despite a drop in general levels of inquiries worldwide because of recession.

Nearly 3,000 jobs were created by 36 inward investment projects that brought in £107m of new capital. This included the MBNA America Bank, which opted for Chester rather than Harrogate in North Yorkshire. This credit card marketing operation will eventually create 800 jobs over five years.

A third of the projects were expansions by some of 1,200 foreign companies already in the region. All the regional agencies operate "aftercare" services for inward investors, which are an increasingly important component of inward investment.

There is also an array of private sector help available at normal professional prices. These are usually cheaper – though just as good – in regional financial centres such as Birmingham, Manchester or Leeds because of lower overheads outside London.

Since property and tax advice – both individual and corporate – are principal areas where professional help is imperative, many firms of estate agents and lawyers have full-time specialists in the field.

Small or medium-sized companies may often do better with a comparably-sized professional firm, rather than the more obvious giants. Campbell Hooper, a London firm with only 70 staff, has published many articles and booklets on the subject – the sort of clue to look for. Phoning a few firms in the nearest financial centre and asking for their promotional literature is a good start to finding suitable advisers.

Many inward investors also have their own networks and associations of expatriates. They are also a source for recommending experienced professionals and explaining the pitfalls of relocating to the [illegible]. Relocation has been done hundreds of times already [illegible] last decade along [illegible] others' sense [illegible]